

CITY OF WILLIAMSBURG, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

PREPARED BY:

Department of Finance

CITY OF WILLIAMSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

| | Page |
|---|-------------|
| <u>Introductory Section</u> | |
| Letter of Transmittal | i-v |
| GFOA Certificate of Achievement | vi |
| Organizational Chart | vii |
| List of Elected and Appointed Officials | viii |
| <u>Financial Section</u> | |
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-16 |
| <i>Government-wide Financial Statements:</i> | |
| Exhibit 1 Statement of Net Assets | 17 |
| Exhibit 2 Statement of Activities | 18 |
| <i>Fund Financial Statements:</i> | |
| Exhibit 3 Balance Sheet—Governmental Funds | 19 |
| Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 20 |
| Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds | 21 |
| Exhibit 6 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 22 |
| Exhibit 7 Statement of Net Assets—Proprietary Funds | 23 |
| Exhibit 8 Statement of Revenues, Expenses and Changes in Fund Net Assets—Proprietary Funds | 24 |
| Exhibit 9 Statement of Cash Flows—Proprietary Funds | 25 |
| Exhibit 10 Statement of Fiduciary Net Assets—Fiduciary Funds | 26 |
| Notes to Financial Statements | 27-49 |

CITY OF WILLIAMSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

| <u>Financial Section (Continued)</u> | <u>Page</u> |
|---|--------------------|
| <u>Required Supplementary Information:</u> | |
| Exhibit 11 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund | 50 |
| Exhibit 12 Schedule of Pension Funding Progress | 51 |
| <u>Other Supplementary Information:</u> | |
| Exhibit 13 Combining Balance Sheet - Nonmajor Special Revenue Funds | 52 |
| Exhibit 14 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds | 53 |
| Exhibit 15 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds | 54-55 |
| Exhibit 16 Combining Statement of Fiduciary Net Assets - Fiduciary Funds | 56 |
| Exhibit 17 Combining Schedule of Changes in Assets and Liabilities - Agency Funds | 57-58 |
| <u>Supporting Schedules:</u> | |
| Schedule 1 Schedule of Revenues - Budget and Actual - Governmental Funds | 59-61 |
| Schedule 2 Schedule of Expenditures - Budget and Actual - Governmental Funds | 62-64 |
| <u>Statistical Section:</u> | |
| Table 1 Net Assets by Component | 65 |
| Table 2 Changes in Net Assets | 66-67 |
| Table 3 Fund Balances of Governmental Funds | 68 |
| Table 4 Changes in Fund Balances of Governmental Funds | 69-70 |
| Table 5 Tax Revenues by Source, Governmental Funds | 71 |
| Table 6 Assessed Value and Estimated Actual Value of Taxable Property | 72 |
| Table 7 Direct Tax Rates | 73 |
| Table 8 Principal Real Estate Property Taxpayers | 74 |
| Table 9 Property Tax Levies and Collections | 75 |
| Table 10 Ratios of Outstanding Debt by Type | 76 |

CITY OF WILLIAMSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

| <u>Other Supplementary Information (Continued)</u> | <u>Page</u> |
|---|--------------------|
| <u>Statistical Section (Continued)</u> | |
| Table 11 Ratios of General Bonded Debt Outstanding | 77 |
| Table 12 Legal Debt Margin Information | 78 |
| Table 13 Demographic and Economic Statistics | 79 |
| Table 14 Principal Employers | 80 |
| Table 15 Full-time Equivalent City Government Employees by Function | 81 |
| Table 16 Operating Indicators by Function/Program | 82 |
| Table 17 Capital Asset Statistics by Function | 83 |
| <u>Compliance Section:</u> | |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 84-85 |
| Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 86-87 |
| Schedule of Expenditures of Federal Awards | 88 |
| Notes to Schedule of Expenditures of Federal Awards | 89 |
| Schedule of Findings and Questioned Costs | 90 |
| Schedule of Prior Year Findings and Questioned Costs | 91 |



CITY OF WILLIAMSBURG

Department of Finance

November 5, 2008

To the Honorable Mayor, Members of City Council, and Citizens of the City of Williamsburg:

The Comprehensive Annual Financial Report (CAFR) of the City of Williamsburg, Virginia for the fiscal year ended June 30, 2008, is submitted herewith in accordance with Section 15.2-2511 of the Code of Virginia. This report is designed in a manner to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds in conformity with accounting principles generally accepted in the United States of America (GAAP). We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs are included. This report has been prepared by the Department of Finance in accordance with all governmental accounting and financial reporting standards as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Auditor of Public Accounts (APA).

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. This is the third of a multi-year contract for professional auditing services with this firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Williamsburg financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the City

The City of Williamsburg was established by the General Assembly of the Commonwealth of Virginia in 1699 and was incorporated by British Royal Charter in 1722. Today, it operates under the Council-Manager form of government substantially as established in the City Charter of 1932, and as an independent city under the Constitution and laws of the Commonwealth of Virginia. Policy-making and legislative authority are vested in a governing City Council consisting of the Mayor and four other members. The City Council members serve four-year staggered terms. The Mayor is chosen from among City Council members every two years. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

Williamsburg encompasses some nine square miles located between the James and York Rivers on the Virginia Peninsula in Southeastern Virginia. The 2000 U.S. Census showed Williamsburg with a population of 11,998. The latest population figures presented by the Weldon Cooper Center for Public Service at the University of Virginia put the City's current population at 13,245. The City is home to two premier institutions: the College of William & Mary, established in 1693, and the Colonial Williamsburg Foundation recreating the days when Williamsburg was the Capital of Colonial Virginia, 1699 to 1780.

The financial reporting entity includes all the funds of the City of Williamsburg. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As such, the City has no component units (legally separate entities for which the City as primary government is financially accountable).

The City provides the full range of municipal services including public safety, (police, fire and emergency medical services, parking garage), public works, (street construction and maintenance, landscaping, Stormwater management, engineering, refuse collection), economic development, planning and zoning, code compliance, human services, parks and recreation, and general administrative services. In addition, the City provides water and sewer services to approximately 3,300 residential and 800 commercial customers, with user charges set by City Council to ensure adequate coverage of operating and capital expenses.

The City, by agreements with neighboring James City County, operates the Williamsburg Regional Library system and the Williamsburg-James City County Public Schools (W-JCC Schools). This strong partnership between the City and County governments has served the K-12 education needs of the jurisdictions for over 50 years. Fiscal Year 2008 marked the first year of a five-year restated contract for operating and capital funding of the joint School system.

The annual budget serves as the foundation for the City's financial planning and control. The budget process incorporates City Council strategic plan "Biennial Goals, Initiatives and Outcomes", and defines, communicates, and funds the City's programs and priorities. The completed budget is City Council's road map, and a primary management tool for the City Manager and Department Heads. The annual Budget Guide is a formal call for all departments of the City, and agencies associated with it, to prepare and submit an estimate of the resources required for the next fiscal year. It includes a set of procedures for building a comprehensive budget for the City Manager to submit to City Council in March of each year. City Council is required to hold public hearings on the proposed budget and tax rates, and to adopt a final budget resolution no later than June 30th. The appropriated budget is prepared by fund, function (e.g., public works), and department (e.g., streets). Department heads may make transfers of appropriations within a department, with the approval of the City Manager. Budget amendments requiring changes in total fund appropriations require special approval of City Council, and possibly a public hearing. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the required supplementary information other than management's discussion and analysis under the combining and individual funds tab of the report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The Williamsburg Economy - The economy of the City of Williamsburg is propelled by tourism and education. Tourism – including major attractions and the hospitality industry – continues to provide the most significant source of tax base for the city government. Within the city limits are 49 hotels/motels with approximately 4,400 rooms, 36 bed and breakfasts, and 85 restaurants.

The lynch pin of tourism is the Colonial Williamsburg Foundation, which operates the nation's most extensive living history museum. Encompassing 578 restored or reconstructed buildings and employing approximately 3,000, the Foundation interprets the 18th century history of America in Virginia's colonial capital. Other nearby attractions not located in the city include Jamestown (site of the first permanent English settlement in 1607), Yorktown (site of Washington's victory over Cornwallis in the Revolutionary War), and Busch Gardens and Water Country USA theme parks. These attractions draw a conservatively estimated 4 million ticketed visitors annually. Next to tourism, higher education drives the Williamsburg economy. The College of William and Mary, located within the city, is the nation's second oldest university. The College owns 18.3% of the land area of the city, currently enrolls 7,871 students, and employs about 3,200 faculty and staff, including graduate assistants as well.

Economic Development Activity – Economic Development Activity – Two large commercial development projects continue in the City. High Street Williamsburg, a \$250 million, 50-acre mixed-use project, adjacent to the Richmond Road business corridor, is under construction as a lifestyle retail center. Apartments are now occupied. The developer, Roseland Property Company, plans to open retail stores, anchored by Movie Tavern in early 2009, with townhouses under construction and condominiums planned in the next phase.

Riverside Health System continues its plans for Quarterpath at Williamsburg, a 350 acre mixed-use development in the southeast quadrant of the City. Riverside continues to seek state approvals for the state-of-the-art acute care Doctor's Hospital as a major component of this project. Site plans also include an assisted living facility. Construction of Quarterpath Shopping Center, a 125,000 square foot shopping center adjacent to Quarterpath at Williamsburg began in 2008. Harris Teeter will anchor the center with two banks (Wachovia and Towne Bank) building on out parcels.

Besides the two new projects discussed above (High Street and Quarterpath) most future development in the City will be infill and redevelopment. With this in mind, the City's Economic Development Manager continues to implement an existing business program, new business recruitment, and promotion of the City as a premier business location. The Economic Development Authority enacted a Demolition Program to encourage redevelopment projects. Two redevelopment projects are utilizing this forgivable loan program.

Other economic activity within the City this year includes:

- Construction of a 671 unit, four-story Williamsburg Storage started on Mooretown Road.
- The Velvet Shoestring business opened in a renovated building on Second Street
- Solutionz Inc, a technology company, invested \$3 million and created 15 jobs on Mt. Vernon Ave.
- Smithfield Ham opened in a renovated building on Prince George Street.
- Master Craftsmen relocated to a newly renovated commercial space (converted single family house) on Armistead Avenue.
- Construction of the 23,750 square foot Health Evaluation Center continues on Henry Street.
- 1425 Richmond Road is under renovation for Scala Pizzeria and BlueGreen Time Share sales.
- SunTrust Bank began construction of a 2,726 square foot building on Prince George Street.
- The William and Mary Real Estate Foundation purchased properties for a redevelopment project at 255 Richmond Road and 630 Prince George Street.
- The City purchased and demolished the former Tioga Motel property on Richmond Road, and is marketing this commercial land for future development.

Clearly, business investment and expansion continues in the City, with a strong impact on the City's real estate property and retail sales tax bases.

Financial Strategy

The City of Williamsburg takes pride in providing a high level of public services to its residents at a reasonable cost. The real estate tax rate of 54¢ per \$100 of assessed value has been in effect since FY 1991, and remains one of the lowest city tax rates in the Commonwealth of Virginia. The City still relies heavily on room and meal taxes to provide the largest source of funding for its services, although the City has been experiencing a growing reliance on real estate property taxes over the past several years. Room and Meal taxes accounted for 31.6% of the General Fund operating revenues for FY 2008, compared to 39.7% in FY 2000¹. Real estate taxes made up for 29.5% of total revenues in FY 2008, compared to 19.9% in FY 2000. This shifting of tax base is more pronounced when comparing actual tax revenues. Room and meal taxes increased from \$9.2 Million to 10.5 Million, a 14.0% increase. Real estate taxes increased from \$4.5 Million in FY 2000 to \$9.7 Million in FY 2008, an increase of 114% over the same period. The FY 2008 real estate tax base increased 16.5% from last year. Not surprising, the real estate market has slowed locally and nationwide, and double-digit assessment value increases are a thing of the past. There continues to be strong interest in Virginia to limit property tax growth, and new legislation affecting either the rate of real estate assessment increases and/or homestead exemptions are anticipated.

The City's total personal property tax collections increased 4.7% over last year. Further analysis of growth trends for personal property taxes is included in Management's Discussion and Analysis.

We believe that business growth and economic development initiatives mentioned above, along with investment by new and existing businesses in the City, will help to strengthen the City's real estate, personal property, and retail

¹ Not including the \$2/night lodging tax, which is dedicated for tourism promotion.

sales tax bases in the next few years. Nevertheless, a severe national recession in 2009 and following would put great pressure on the City's ability to provide the type and quality of services our residents are accustomed to, and at relatively low tax rates.

Even with the ongoing shift in major tax bases, the City continues working to build the region's travel and tourism-based economy as its primary fiscal strategy. City Council partners each year with the Colonial Williamsburg Foundation and the Greater Williamsburg Chamber and Tourism Alliance, providing substantial funding for advertising. Contributions to these organizations during FY 2008 totaled \$2.7 Million. Room tax receipts during FY 2008 were \$4.44 Million, up 2.2% from FY 2007. Meal tax receipts during the year were \$6.0 Million, up 2.6% from last year. The \$2 per night lodging tax generated \$1.63 Million in the City during the year, and was remitted monthly to the Williamsburg Area Destination Marketing Committee for tourism marketing of the Historic Triangle. The City's local retail sales tax receipts for FY 2008 were \$4.56 Million, down 6.3% from last year. Competition of hotels, restaurants, and the retail trade in the Williamsburg area is strong, with new businesses opening continually. Room, meal, and retail sales taxes were, not surprising, partially impacted this fiscal year by the Jamestown 2007 celebration, with the overlap of fiscal years during the summer of 2007. The actual increase of sustainable tourism tax revenues is not known at this time, but we are hopeful the nation's 400th anniversary celebration has brought a renewed interest in this unique Historic Triangle of Virginia despite the national economic weakness..

The City is working on a long term agreement with the City of Newport News to increase the City's future safe yield water capacity. Newport News plans to construct a new 12 billion gallon off-stream reservoir and pumping station in King William County as a long-term solution to increasing water demands on the Virginia Peninsula. Williamsburg plans to purchase a guaranteed supply of raw water from Newport News with an upfront capital commitment. Funding this will require debt financing and continued water rate increases. Another future but as yet unknown cost to the Utility Fund will be compliance with the Hampton Roads-wide Consent Order on sanitary sewer overflows.

City staff has formulated financing strategies over the past few years with the City's financial advisors, Davenport and Co., LLC., in order to stay on schedule with major projects. Since 2004 the City's financial policies include maintaining a minimum of 35% of total General Fund operating revenues as its operating fund balance. A detailed analysis of the City's fund balance is presented in the Management's Discussion and Analysis section of this report.

Cash Management

City Council adopted formal and strict guidelines governing investment policy and procedures in 1995. The investment policy was last revised in 2003. The policy's objective, in order of priority is (1) Safety, (2) Liquidity, and (3) Return on Investment. As of June 30, 2008 the majority of City surplus funds were invested with the Local Government Investment Pool (LGIP), administered by the State Treasurer's Cash Management & Investments Division. Investment earnings of the LGIP during Fiscal Year 2008 averaged 4.21% for the year.

Risk Management

The City is exposed to various risks of losses related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Virginia Municipal Liability Pool, administered by the Virginia Municipal Self Insurance Association and the Virginia Municipal League. This program provides self-insurance coverage for workers' compensation, general liability, automobile liability, property and fire protection, and public officials' liability and law enforcement liability (except for elected officials).

The City has a self-insurance plan for its employee health insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Details of the health insurance program are provided in the Notes to the Financial Statements.

The City initiated a retiree health insurance supplement program in 2002. Currently 33 retirees enjoy this benefit. Details of this program are presented in the Notes to the Financial Statements.

The City currently reports all of its risk management activities in the General Fund and Utility Fund.

Independent Audit

The State Code of the Commonwealth of Virginia requires an annual audit of the books of account, financial records, and transactions of the City. This requirement has been complied with and the unqualified opinion of Robinson, Farmer, Cox Associates, independent certified public accountants, has been included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Williamsburg, Virginia, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the 22nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, with contents conforming to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past 16 years. In order to qualify for the Distinguished Budget Presentation Award, the City's Budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Both of these prestigious awards serve to continually improve the City's annual financial reports and budget documents by implementing professional suggestions from GFOA staff and reviewers across the country.

Acknowledgements

The preparation of this report has been accomplished with the efficient and dedicated services of the City Department of Finance. We would like to express our appreciation to all members of the departments who assisted and contributed in its preparation. In addition, the accounting firm of Robinson, Farmer, Cox Associates, is to be congratulated for their substantial contributions, by way of design, counsel, and interpretation of recent guidelines, planning, and implementation of the requirements of all GASB standards. We also wish to express thanks to the Mayor and members of City Council for their unfailing support in planning and conducting the financial operations of the City of Williamsburg in a responsible and progressive manner.

Respectfully Submitted,



Jackson C. Tuttle
City Manager



Philip F. Serra CPFO
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Williamsburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



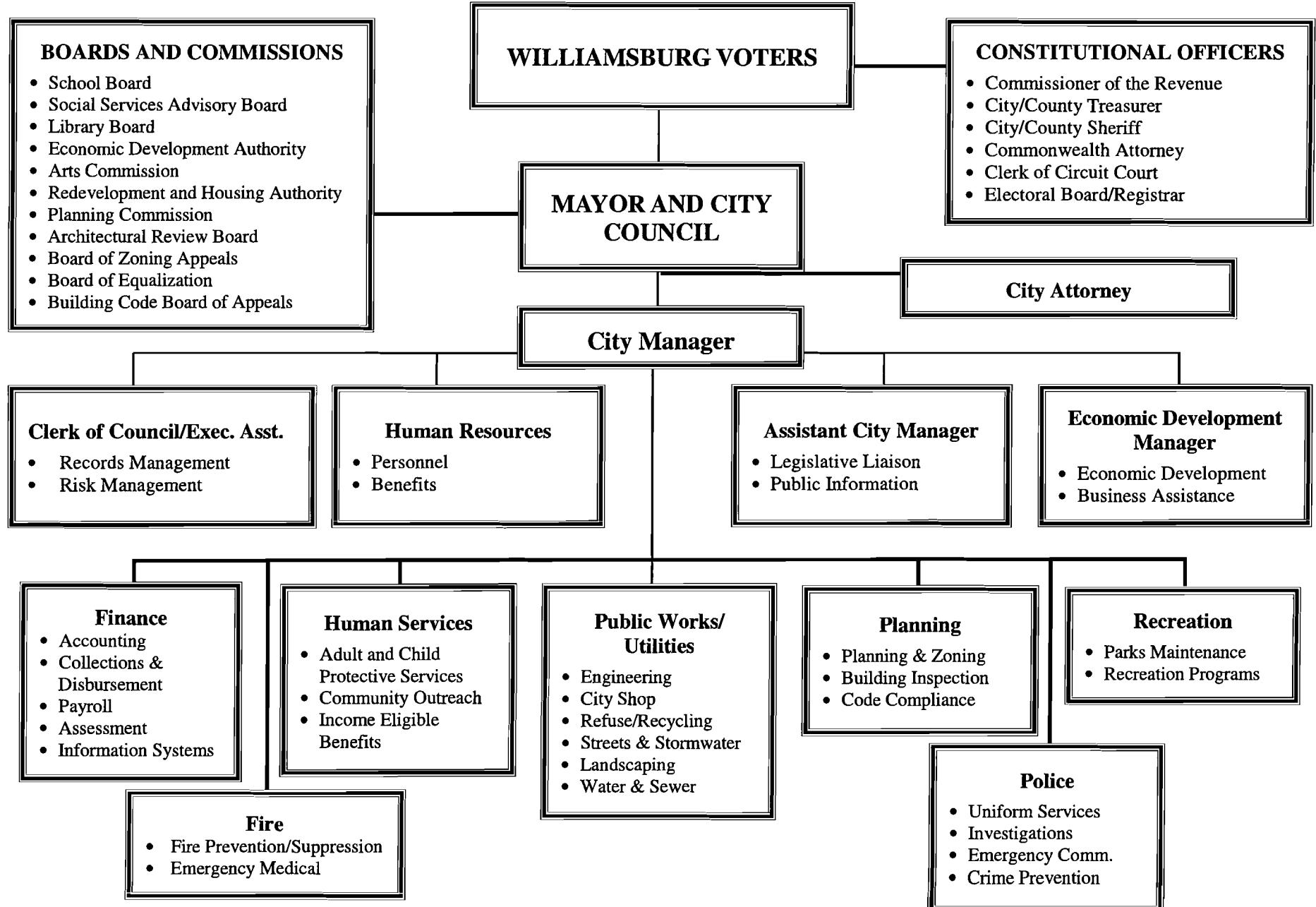
Oliver S. Cox

President

Jeffrey P. Ecker

Executive Director

CITY OF WILLIAMSBURG - ORGANIZATION



CITY OF WILLIAMSBURG, VIRGINIA

Members of the City Council

Mickey P. Chohany
Robert Braxton

Jeanne Zeidler, Mayor
Clyde A. Haulman, Vice-Mayor

Paul Freiling
Shelia Y. Crist, Clerk of Council

City Officials

| | |
|--|------------------------|
| City Manager | Jackson C. Tuttle, II |
| Director of Finance..... | Philip F. Serra, Jr. |
| Assistant City Manager..... | Jodi M. Miller |
| Commonwealth's Attorney..... | Nate Green |
| City Attorney | Joseph F. Phillips |
| Treasurer..... | M. Ann Davis |
| Commissioner of Revenue..... | Judy Nightengale Fuqua |
| Clerk of Circuit Court | Betsy Woolridge |
| Sheriff | Robert Deeds |
| Director of Public Works & Utilities | Daniel G. Clayton, III |
| Director of Planning | Reed T. Nester |
| Director of Human Services..... | Peter P. Walentisch |
| Director of Recreation | R. Paul Hudson |
| Chief, Fire Department..... | Terrill K. Weiler |
| Chief, Police Department | James M. Yost |

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

To The Honorable Members of the City Council
City of Williamsburg
Williamsburg, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Williamsburg, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008, on our consideration of the City of Williamsburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and the Schedule of Pension Funding Progress as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Williamsburg, Virginia's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Williamsburg, Virginia. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

RDunn, Farn, Lox Associates

Richmond, Virginia
November 5, 2008

The Management's Discussion and Analysis (MD&A) offers readers of the City's financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2008. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, and in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The assets of the City of Williamsburg exceeded its liabilities at June 30, 2008 by \$103.6 Million. Capital assets (net of depreciation and related debt) account for 66.3% of this amount, with a value of \$68.7 Million. The remaining net assets may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- The City's total net assets increased by \$5.9 Million, of which the governmental activities increased by \$4.6 Million, and business-type activities increased by \$1.3 Million.
- The City's governmental funds reported combined ending fund balances of \$29.2 Million, a decrease of \$1.0 Million from the prior year. Of the \$29.2 Million, 98.1% (\$28.6 Million) is available for spending at the City's discretion (unreserved fund balance).
- Undesignated fund balance for the General Fund was \$25.5 Million, or 72.7% of total General Fund operating revenues for FY 2008, representing an increase of \$3.0 Million from last year. This exceeds the City's undesignated fund balance policy minimum of 35% of total General Fund revenues.
- Total General Fund (including 1% Sales Tax) revenues were \$41.7 Million for FY 2008, compared to \$40.7 Million last year. General property tax receipts were \$11.8 Million, and adding State reimbursements for the Car Tax relief program during the year of \$773,572, which are reclassified as State aid, brings property tax receipts to \$12.6 Million, up 12.3% from last year. Other local taxes were up slightly by .17%, from increases in business licenses, room, and meal taxes.
- Total General Fund expenditures, including capital projects, were down 4.1% at \$42.2 Million for FY 2008. Capital projects accounted for \$7.8 Million in spending for the year, down from last year's level of \$12.5 Million.
- The City's total debt decreased by \$2.3 Million (18%) during fiscal year 2008. The net decrease resulted from continued payoff of principal balances on four long-term obligations, and payoff of a \$1.3 Million short term note used for land acquisition in 2003.
- Business-type activities (Utility Fund) reported net assets at June 30, 2008 of \$19.6 Million. Net assets invested in capital assets (net of depreciation and related debt) account for 67.0% of this amount, with the remaining net assets of \$6.5 Million available without restriction. The Utility Fund reports combined cash and investments at year-end of \$6.4 Million, with total short-term liabilities of \$1.1 Million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, judicial, public safety, public works, health and welfare, education, parks and recreation, cultural, community development, and debt service. The sole business-type activity of the City of Williamsburg is the water utility.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, this is just one indicator of financial health of the City. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received before June 30, 2008, and earned but unused vacation and sick leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed until after June 30, 2008.

The City has no separately identified component units included in the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Williamsburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Williamsburg can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental Funds are used to account for most, if not all, of a government's tax-supported activities. Proprietary Funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund. (GASB Statement No. 34 defines a major fund as a fund whose assets, liabilities, revenues or expenditures comprise: 1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate; and, 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. The General Fund is always considered a major fund.) The governmental fund financial statements can be found immediately following the government-wide financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The City maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level. Personal services are budgeted by fulltime positions. Capital outlays are approved on an item-by-item basis or project basis. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget. Major fund budgetary variance statements are included with the basic financial statements. Nonmajor fund information follows the notes to the financial statements. Budgetary variances for the General Fund are discussed in some detail later in this section.

Proprietary Funds. The City maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water utility operations.

Proprietary fund statements follow the governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. The proprietary fund financial statements provide information for the Water Utility Fund, which is considered to be the only major proprietary fund of the City. There are no reconciling differences from the Proprietary Fund Statement of Net Assets to the business-type activity column on the Government-Wide Statement of Net Assets.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Williamsburg has one type of fiduciary funds - Agency Funds (which are clearing accounts for assets held by the City in its role as custodian until the funds are allocated to the organizations or government agencies to which they belong). The Statement of Fiduciary Net Assets can be found following the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets total \$103.6 Million at June 30, 2008. The following table reflects the condensed Government-Wide Statement of Net Assets:

City of Williamsburg's Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Current and Other Assets | \$ 30,911,897 | \$ 32,776,690 | \$ 7,413,247 | \$ 6,027,102 | \$ 38,325,144 | \$ 38,803,792 |
| Capital Assets | 66,125,598 | 62,631,569 | 13,669,407 | 13,464,785 | 79,795,005 | 76,096,354 |
| Total Assets | \$ 97,037,495 | \$ 95,408,259 | \$ 21,082,654 | \$ 19,491,887 | \$ 118,120,149 | \$ 114,900,146 |
| Long-term Liabilities | \$ 11,313,035 | \$ 13,579,012 | \$ 688,915 | \$ 819,584 | \$ 12,001,950 | \$ 14,398,596 |
| Other Liabilities | 1,677,710 | 2,413,732 | 824,151 | 441,360 | 2,501,861 | 2,855,092 |
| Total Liabilities | \$12,990,745 | \$15,992,744 | \$1,513,066 | \$1,260,944 | \$14,503,811 | \$17,253,688 |
| Net Assets: | | | | | | |
| Invested in Capital Assets, net | | | | | | |
| of related debt | 55,591,451 | 49,783,173 | 13,102,740 | 12,764,785 | 68,694,191 | 62,547,958 |
| Unrestricted | 28,455,299 | 29,632,342 | 6,466,848 | 5,466,158 | 34,922,147 | 35,098,500 |
| Total Net Assets | \$ 84,046,750 | \$ 79,415,515 | \$ 19,569,588 | \$ 18,230,943 | \$ 103,616,338 | \$ 97,646,458 |

The City of Williamsburg's total assets were over \$118.1 Million as of June 30, 2008. Of this amount, \$68.7 Million (66.3 percent) reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining City assets, approximately \$34.0 Million is accounted for in cash, cash equivalents, and pooled investments, \$2.8 Million in accounts and notes receivable, with the remainder spread among miscellaneous assets.

At June 30, 2008, outstanding liabilities were \$14.5 Million, with \$12.0 Million in bonds and notes payable, and compensated absences. Of the bonds and notes payable, \$1.2 Million was due within one year, with the remainder due at various dates until 2020. Refer to the Note 9 in the notes to the financial statements for more information on the City's long term debt obligations. Included in other liabilities above are \$1.8 Million in accounts payable, \$.2 million in accrued liabilities, and \$69,645 in deposits payable to customers.

At June 30, 2008, the City had positive balances in all categories of net assets, for the government as a whole, and for its separate governmental and business-type activities.

Statement of Activities - Changes in Net Assets

Governmental activities – Governmental activities increased the City's net assets by \$4.6 Million, accounting for 77.6% of the total growth in net assets of the City of Williamsburg during FY 2008. Key factors in this increase include:

- Va Dept of Transportation reimbursed the City \$1.3 Million for construction of Treyburn Drive;
- Revenues from all property taxes increased 8.8%, mostly from appreciation in real estate assessments over the prior year, as personal property taxes were level with FY 2007;
- Restaurant and lodging taxes totaled \$10.5 Million, up 2.5% over FY 2007;
- 1% sales taxes were \$4.6 Million, down 6.3% from FY 2007;
- Interest earnings were \$1.2 Million, down 24.4% from FY 2007.

Business-type activities - Business-type activities increased the City of Williamsburg's net assets by \$1.3 Million for FY 2008. Key elements of this increase are as follows:

- Charges for services for the utility fund increased by 28.0%, largely from developer tap and availability fees;
- A water rate increase of 10% was initiated July 1, 2007 to help offset rising costs.
- Investment earnings were \$209,655 for the year, down about 17% from last year;

The following schedule compares the revenues and expenses for the current and previous fiscal year.

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|---------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 2,716,110 | \$ 858,945 | \$ 5,751,177 | \$ 4,493,958 | \$ 8,467,287 | \$ 5,352,903 |
| Operating grants and contributions | 3,999,026 | 4,161,505 | - | - | 3,999,026 | 4,161,505 |
| Capital grants and contributions | 464,435 | 266,087 | - | - | 464,435 | 266,087 |
| General Revenues: | | | | | | |
| Property taxes | 11,787,562 | 10,412,313 | - | - | 11,787,562 | 10,412,313 |
| Other local taxes | 20,314,823 | 20,133,850 | - | - | 20,314,823 | 20,133,850 |
| Other | <u>2,858,683</u> | <u>4,985,013</u> | <u>357,265</u> | <u>3,070,612</u> | <u>3,215,948</u> | <u>8,055,625</u> |
| Total Revenues | <u>42,140,639</u> | <u>40,817,713</u> | <u>6,108,442</u> | <u>7,564,570</u> | <u>48,249,081</u> | <u>48,382,283</u> |
| Expenses: | | | | | | |
| General government | | | | | | |
| Judicial administration | 3,925,496 | 3,556,882 | - | - | 3,925,496 | 3,556,882 |
| Public safety | 369,459 | 379,945 | - | - | 369,459 | 379,945 |
| Public works | 9,410,409 | 8,840,146 | - | - | 9,410,409 | 8,840,146 |
| Health and welfare | 4,504,611 | 7,196,599 | - | - | 4,504,611 | 7,196,599 |
| Education | 2,415,272 | 2,176,382 | - | - | 2,415,272 | 2,176,382 |
| Parks, recreation, & cultural | 8,446,319 | 7,044,990 | - | - | 8,446,319 | 7,044,990 |
| Community Development | 2,275,707 | 2,170,492 | - | - | 2,275,707 | 2,170,492 |
| Interest expense | 5,694,235 | 5,328,651 | - | - | 5,694,235 | 5,328,651 |
| Water | 467,896 | 551,307 | - | - | 467,896 | 551,307 |
| Total Expenses | <u>37,509,404</u> | <u>37,245,394</u> | <u>4,769,797</u> | <u>4,569,446</u> | <u>4,769,797</u> | <u>4,569,446</u> |
| Increase in net assets | 4,631,235 | 3,572,319 | 1,338,645 | 2,995,124 | 5,969,880 | 6,567,443 |
| Net assets - beginning | <u>\$79,415,515</u> | <u>\$75,843,196</u> | <u>18,230,943</u> | <u>15,235,819</u> | <u>97,646,458</u> | <u>91,079,015</u> |
| Net assets - ending | <u>\$84,046,750</u> | <u>\$79,415,515</u> | <u>\$19,569,588</u> | <u>\$18,230,943</u> | <u>\$103,616,338</u> | <u>\$97,646,458</u> |

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

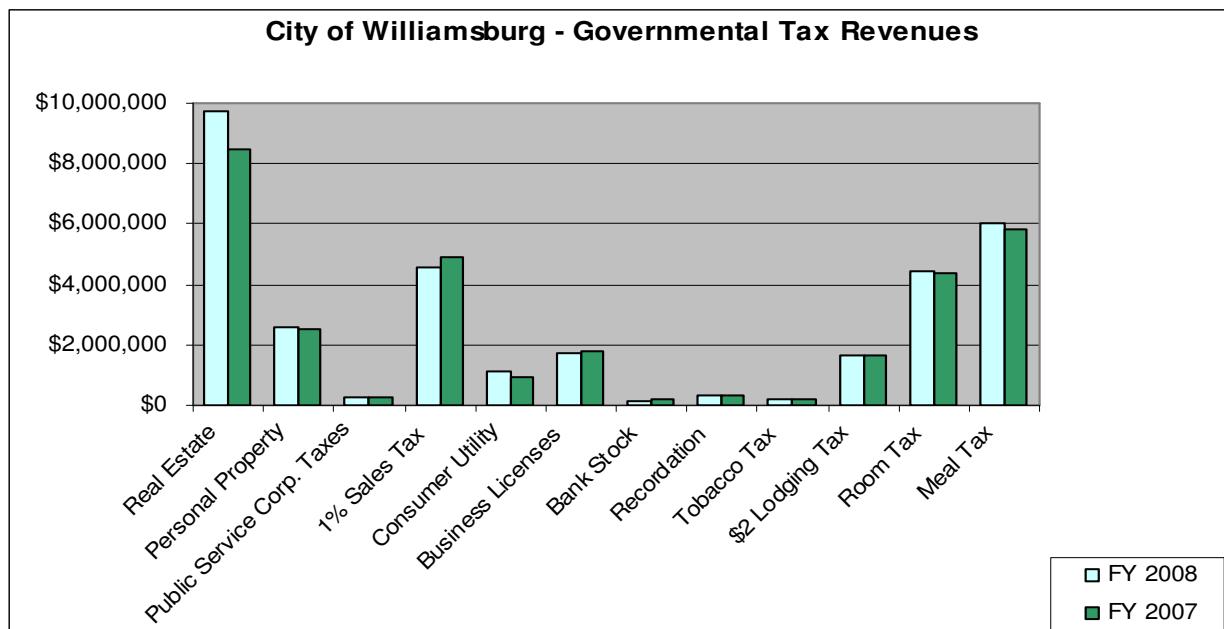
As noted earlier, the City of Williamsburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a financial analysis of the City's governmental and proprietary funds.

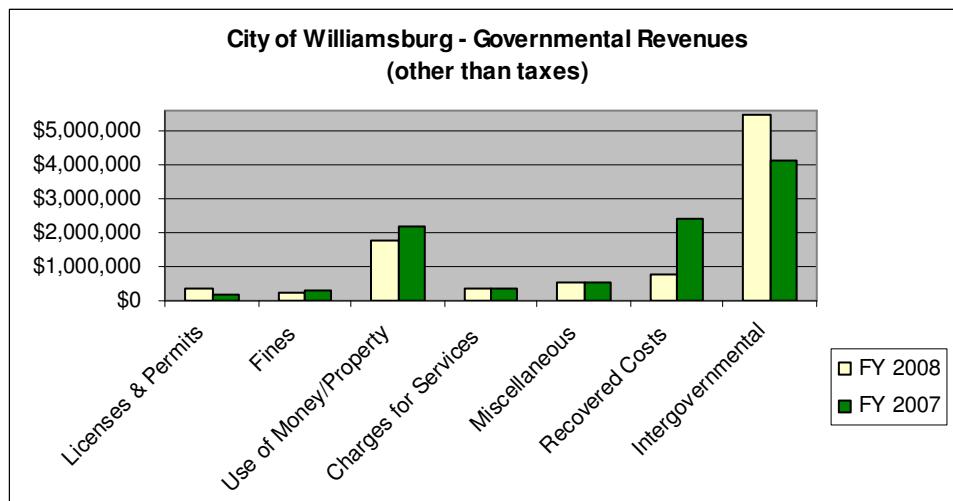
Governmental Funds Revenue and Expense Analysis

**Revenues Classified by Source
Governmental Funds**

| Revenues by Source | June 30, 2008 | | June 30, 2007 | | Increase/(Decrease) | |
|---------------------------|---------------------|------------------|---------------------|------------------|---------------------|-------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Change |
| General Property Taxes | \$11,844,277 | 27.57% | \$10,456,996 | 24.94% | \$1,387,281 | 13.27% |
| Other Local Taxes | 20,303,115 | 47.26% | 20,133,850 | 48.02% | 169,265 | 0.84% |
| Licenses and permits | 376,974 | 0.88% | 200,897 | 0.48% | 176,077 | 87.65% |
| Fines & Forfeitures | 241,302 | 0.56% | 281,612 | 0.67% | (40,310) | -14.31% |
| Use of Money and Property | 1,765,800 | 4.11% | 2,156,025 | 5.14% | (390,225) | -18.10% |
| Charges for Services | 343,741 | 0.80% | 376,435 | 0.90% | (32,694) | -8.69% |
| Miscellaneous | 562,550 | 1.31% | 519,488 | 1.24% | 43,062 | 8.29% |
| Recovered Costs | 760,001 | 1.77% | 2,415,974 | 5.76% | (1,655,973) | 0.00% |
| Intergovernmental | 6,759,594 | 15.74% | 5,388,477 | 12.85% | 1,371,117 | 25.45% |
| Total Revenues | <u>\$42,957,354</u> | <u>100.00%</u> | <u>\$41,929,754</u> | <u>100.00%</u> | <u>\$1,027,600</u> | <u>2.45%</u> |

The general governmental functions are contained in the General Fund. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City. On June 30, 2008, unreserved, undesignated fund balance of the General Fund was \$25.5 Million, with total fund balance of \$29.0 Million. Total assets in the General Fund were \$30.6 Million.





The following provides more detailed information about major General Fund operating revenue collections during FY 2008:

- **General Property Taxes** –This consists of real and personal property tax receipts. Real property tax receipts were \$9.7 Million, up 14.9% from last year, due to increased assessments city-wide, new construction, and continued strong collection efforts for delinquent real estate taxes during the year. The real estate tax rate has remained at 54¢/\$100 since 1991. Personal property tax receipts, including businesses, totaled \$2.5 Million, including reimbursement for the State's CarTax relief program, and was level with last year's receipts.
- **Other Local Taxes** - Overall these revenues increased just .84% from last year.
 - State sales taxes were \$4.6 Million, down 6.3% from last year's receipts of \$4.9 Million;
 - Consumer utility taxes were \$1.1 Million, up 22% from last year, and included a full year of the new telecommunications sales taxes administered by the State;
 - Room taxes were \$4.4 Million, up 2.2% from last year;
 - \$2 per night lodging taxes generated \$1.6 Million, level with last year. These pass-thru funds are collected and remitted monthly to the Williamsburg Area Destination Marketing Committee for tourism marketing of the Historic Triangle.
 - Meal taxes were up \$153,547 to \$6.0 Million during FY 2008, a 2.6% increase from the previous year. Competition from restaurants in surrounding counties continues to have an impact on meal sales in the City.
 - Tobacco taxes were \$180,701, up 4.5% from last year. Replenishment of retail vendor stamps on cigarette inventories can swing this revenue in either direction each year and is difficult to estimate.
- **Revenue from the Use of Money and Property**
 - **Use of Money** – Short-term interest rates decreased during FY 2008. The City's short-term funds invested with the State's Local Government Investment Pool (LGIP) averaged 4.2%, and over 99% of the City's surplus funds are held in this pool. Invested surplus funds were consistent with last year's.
 - **Use of Property** - Revenues from the use of property were \$555,970, level with last year. Parking garage receipts were \$239,255, up 2.9% from last year. Additional rented spaces and amenities charges for properties adjacent to the City's parking deck, and collections for various tenant contracts account for the remainder of this revenue. The

City also sold surplus equipment for \$24,433, much of which was sold publicly on the City's Internet auction site (<https://www.williamsburgva.gov/auction>).

- **Charges for Services** – This category consists largely of recreation programs, recreation facility rentals, and cemetery lots and fees. Overall revenues in this category were \$343,741, down by 8.7% from last year. Included are Waller Mill Dog Park revenues of \$6,130.
- **Miscellaneous/Recovered Costs** – These include reimbursements for Utility Fund overhead charges, public safety overtime, stormwater management fees, and James City County's reimbursed portion of annual Arts Commission grants under miscellaneous receipts. Also included are the EMS recovery fees of \$353,613 for the year.
- **Intergovernmental** – consisting of State and Federal revenues, these revenues totaled \$5.5 Million during FY 2008.
 - Non-categorical – ABC, wine, and rolling stock taxes were up 2.2% from last year. Rental car taxes were up 33.9% at \$24,777. Grantor's taxes were \$78,970, up 20.4% from last year. The State's personal property tax relief reimbursement (CarTax) was \$773,572, and is set at that amount by the General Assembly.
 - Shared expenses for Commissioner of the Revenue, Treasurer, Medical Examiner, and Registrar/Electoral Board were up a total of \$10,525, or 7.0% from last year.
 - State sales tax for education, a dedicated funding source based on the triennial school-aged population census among Virginia localities, was up 1.5% to \$717,848 for FY 2008.
 - State highway maintenance payments of \$1,332,230 were up 4.6% from the preceding year. These payments, based on road lane miles, increased by \$54,373 during the year.
 - Virginia Dept of Transportation receipts of \$1,336,750 are included as categorical aid this year, which represents the State's share of FY 2008 final funding for the Treyburn Drive road construction project.

The following table represents expenditures by function compared to prior year amounts.

Expenditures By Function
Governmental Funds

| <u>Expenditures by Function</u> | June 30, 2008 | | June 30, 2007 | | Increase/(Decrease) | |
|---------------------------------|---------------------|-------------------------|---------------------|-------------------------|----------------------|--------------------------|
| | <u>Amount</u> | <u>Percent of Total</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Amount</u> | <u>Percent of Change</u> |
| General Government | \$2,956,796 | 6.71% | \$2,615,827 | 5.72% | \$340,969 | 13.03% |
| Judicial Administration | 369,459 | 0.84% | 379,945 | 0.83% | (10,486) | -2.76% |
| Public Safety | 9,064,963 | 20.58% | 8,716,154 | 19.05% | 348,809 | 4.00% |
| Public Works | 3,579,302 | 8.13% | 3,847,395 | 8.41% | (268,093) | -6.97% |
| Health and Welfare | 2,391,062 | 5.43% | 2,169,108 | 4.74% | 221,954 | 10.23% |
| Education | 7,135,650 | 16.20% | 6,493,421 | 14.19% | 642,229 | 9.89% |
| Parks, Recreation, and Cultural | 2,277,569 | 5.17% | 2,146,007 | 4.69% | 131,562 | 6.13% |
| Community Development | 5,662,525 | 12.86% | 5,348,425 | 11.69% | 314,100 | 5.87% |
| Capital Projects | 7,809,941 | 17.73% | 12,492,119 | 27.30% | (4,682,178) | -37.48% |
| Principal Retirement | 2,314,249 | 5.26% | 992,425 | 2.17% | 1,321,824 | 133.19% |
| Interest | 477,006 | 1.08% | 554,257 | 1.21% | (77,251) | -13.94% |
| Total Expenditures | <u>\$44,038,522</u> | <u>100.00%</u> | <u>\$45,755,083</u> | <u>100.00%</u> | <u>(\$1,716,561)</u> | <u>-3.75%</u> |

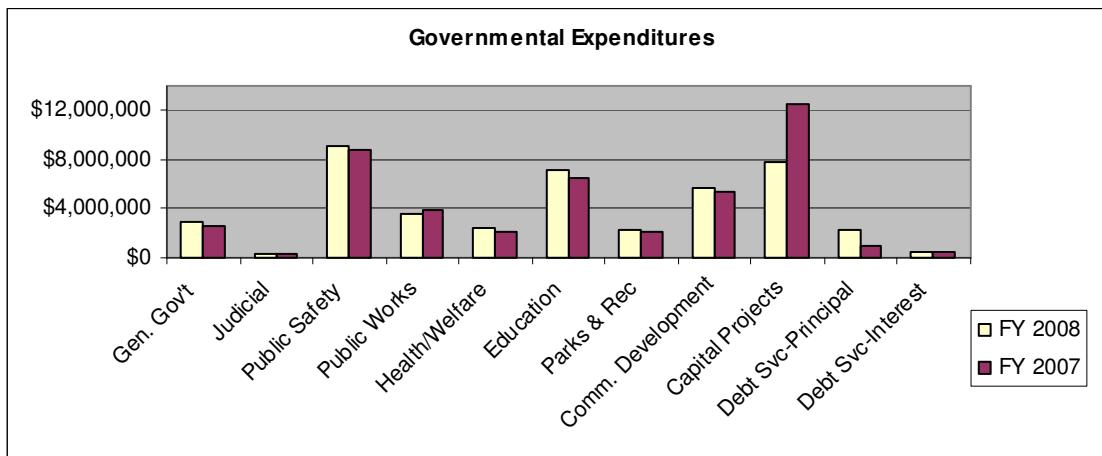
The City's Virginia Retirement System contribution rate again for FY 2008 was 16.27% of covered payroll, which is set for two-year increments based on the latest actuarial valuation. In addition, FY 2008 was the second year in a row the VRS group life insurance was billed to localities, ending a premium holiday enjoyed by Virginia localities for many years. These increases impacted every City department during the year.

The following analysis provides additional information on the City's expenditures by function that changed significantly over the prior year.

- **General Government Administration** – Up \$340,969 or 13.0% from last year. Positions for Assistant City Attorney and Financial Technician were added in FY 2008. Departments under this category, as well as all City departments, received an average increase in pay ranges of 4%, and experienced increases for benefits, such as FICA and Medicare withholdings, Virginia Retirement System, and Workers Compensation costs, which are tied to employee salaries.
- **Judicial Administration** – The City funds judicial offices with James City County in the jointly owned Courthouse, according to a population-based formula each year. The City's share of expenditures totaled \$369,459, down 2.8% from the prior year. Additional costs continued to be offset by local fees imposed during FY 2008 through the courts.
- **Public Safety** – This category is made up of several departments:
 - Law Enforcement & Traffic Control – Expenditures for the Police Department were \$3.4 Million, up 7.0% from last year. One additional officer was hired in FY 2008. Higher fuel, ammunition, police supplies, and uniform costs were part of the overall increase in Police Department operations this year.
 - E-911 – This operation is responsible for City-wide E-911 communications dispatch at the Police Department. Costs decreased .88% to \$675,341 from last year – salary and healthcare savings were experienced with employee turnover during the year.
 - Prince George Parking Garage – Total cost this year was \$111,499, down by 6.0%, attributed to reduced costs for health insurance and supplies for the operation. As noted previously, the PGPG generated revenues of \$239,255 for the year.
 - Fire and Rescue Services – One firefighter position was added during FY 2008, and total expenditures were up \$193,220, or 6.3% from last year. Salary and benefit costs were up accordingly, as were costs for fuel, uniforms, and communications equipment.
 - Correction and Detention –
 - Williamsburg is a member locality of the Virginia Peninsula Regional Jail, along with James City County, Poquoson, and York County. The City's share, based on days incarceration, totaled \$905,525 during the year, up 5.4% from last year. Member jail costs are billed on a 5-year average usage rate to all localities in order to level out incarceration costs for crimes committed within each locality.
 - Juvenile detention costs during the year were \$65,420, down 38% from last year due to a decrease in daily population for the second year in a row. Total days for juvenile incarceration in FY 2008 were 359, compared to 673 last year. Like the Regional Jail, incarceration of juveniles at the Merrimac Center is based on crimes committed within the member localities, and very difficult to predict and budget for each year.
 - Inspection costs were \$491,393 during the year, up \$44,933, or 10.1% over the prior year.

- **Public Works** – Various activities make up this category:
 - Engineering – Expenditures during the year were \$239,676, up 4.5% due to increases in personnel costs.
 - Streets – Overall costs were \$1,066,931, down 31.3% from last year. The annual street resurfacing program was not significantly completed at the end of FY 2008, and those costs will be included in FY 2009.
 - Refuse Collection – Expenditures for the year were \$864,801, up 7% for the year.
 - Maintenance-Buildings, grounds, and landscaping costs were \$1,407,894, up 12% from last year, due largely to increased operational costs for aging City buildings. Major costs for building repairs are budgeted in the City's capital improvements program and not included here. Information technology costs of \$427,394 are included in the above figure, and are up about 52% from last year. In FY08 there were several application development projects, specifically the new City website/Content Management System. Additionally, several high use servers for the financial and police applications were replaced. In addition, maintenance costs for several systems and applications were increased and/or added to the operational budget.
- **Health & Welfare** – Local health department costs were \$236,809, down 2.7% from last year. Contributions to the Colonial Services Board were \$232,000, up 4.7% from last year.
- **Education** – Education costs were \$7,135,650, up 9.9% from last year. The City's share of the joint Williamsburg-James City County Public School system for the year ended June 30, 2008 was 8.76%. FY 2008 was the first of a five year joint agreement, with operating funding based on the City's share of student population times a factor. The factor for FY 2008 was 1.15. Also under that agreement the City funds the same proportion of approved capital projects, except for new school construction, which is at 3.25%. The City's share of school capital costs paid during the year were \$1,775,060, and included projects carried forward from last year, and new projects, including final construction costs for Warhill High and Matoaka Elementary Schools.
- **Parks, Recreation and Cultural** –
 - Parks and recreation costs, including maintenance of Cedar Grove Cemetery, were \$1,392,614, up 8.4% from last year, due mainly to increased salary and benefit costs.
 - The City's share of the Williamsburg Regional Library for the year ended June 30, 2008 was \$884,955, up 2.9% from last year, due to increases in operating costs. The contract percentage for FY 2008 was 16.62% according to the agreement with James City County, which is based on circulation by residency each year.
- **Community Development**
 - Planning – Total expenditures were \$498,830 for FY 2008, up 9.4% from last year. Salaries, benefits, and professional services accounted for the majority of the increased costs this year.
 - Community Development – This consists of contributions to outside human service type, and community and economic development agencies. Contributions to outside agencies were \$4,524,423 during the year, including the \$2 per night lodging tax receipts for the year, totaling \$1,625,774. Those funds were collected and submitted to the Williamsburg Area Destination Marketing Committee monthly for tourism promotion of the Historic Triangle. Contributions for the Arts totaled \$158,970.
- **Capital Projects** – Capital project spending varies each year depending on the 5-year program. City projects totaled \$7,809,941 for FY 2008. Major projects included construction costs for Quarterpath Road, bridge maintenance, Warhill High and Matoaka Elementary Schools, purchase of the Tioga Motel property, Kiwanis ball field renovations, various school improvements, and the City's vehicle replacement program. More information is provided under the Capital Asset section below.

- Principal and Interest payments** – Total principal payments during FY 2008 were \$2,314,249, including the payoff of a \$1.3 Million note. Interest payments on outstanding debt totaled \$477,006. Details of long term debt obligations are included in the notes to the financial statements.



Budget Variances

Included in the Final Budget column of the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - are carryover funds for Capital Projects. Since all planned projects rarely are completed by fiscal year end, this carryover is required in order to complete planned and previously approved projects. General Fund revenues exceeded budgeted revenues by \$3.9 Million for the year. A closer look reveals that \$2.2 Million of the difference was generated from local sources, most notably real property taxes, local 1% sales taxes, interest earnings, and tourism taxes. Expenditures, including capital projects, totaled \$42.1 Million, and were \$7.6 Million under budget, due to carried-over capital projects still in progress at year end. The budget balances of any appropriated capital projects not completed at year end are carried forward to the next fiscal year, as provided for in the City's financial policies.

Fund Balance

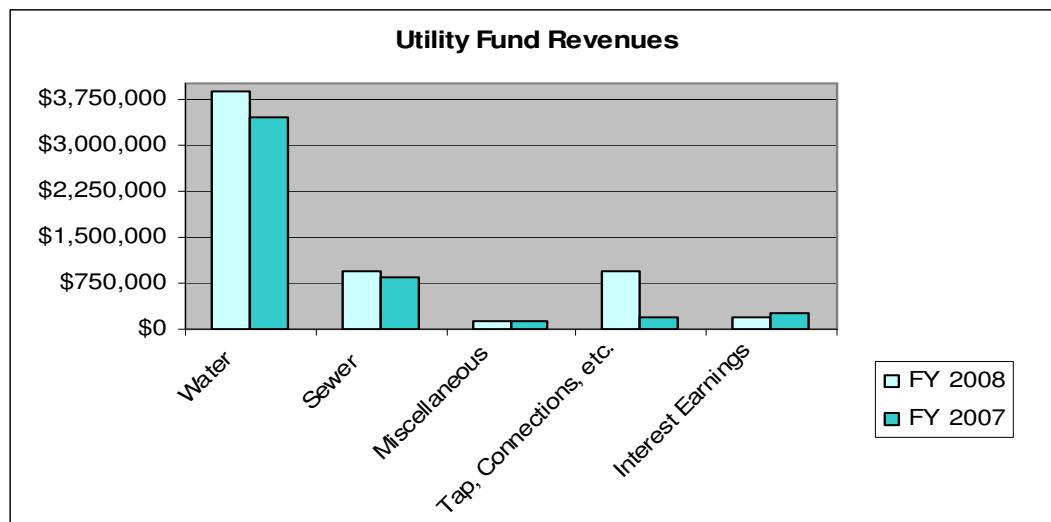
Fund Balance for the General Fund decreased from \$30.0 Million to \$29.0 Million as of June 30, 2008. Of that total, \$2.5 Million is designated for subsequent years' capital expenditures, and \$490,285 for future health care costs. In addition, \$540,797 in notes receivable from the Williamsburg Redevelopment and Housing Authority are classified as reserved, since those funds are not on hand and available for spending at year end. Projects designated include remaining costs for the Emergency Operations Center, stormwater management projects, and various school projects that still remain at year end.

General Fund Reserve Policy

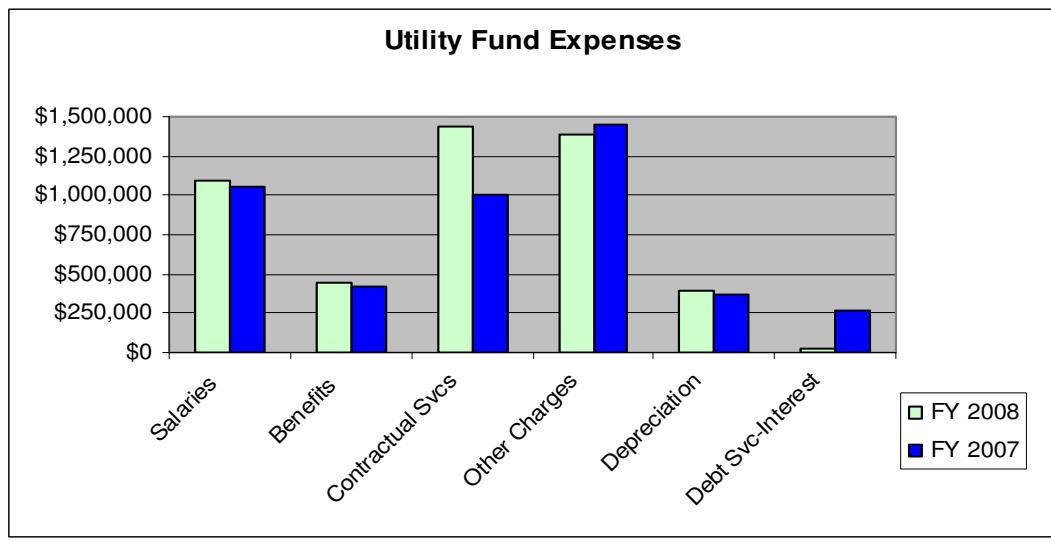
At June 30, 2008 the unreserved, undesignated portion of fund balance was \$25,473,888. That reserve level, as a percentage of operating revenues for the year, is 72.7%, and is well above the City's policy of maintaining reserves of at least 35% of operating revenues. Reserve levels will decline next year, based on the amount of capital projects carried over from last year, and new projects planned for FY 2009. In any event, the City's reserves should remain substantially higher than the City's policy level.

Enterprise Funds Revenue/Expense Analysis

The business-type activity (water and sewer services of the Utility Fund) revenues for the year were \$5.9 Million, up 27.4% from last year. Water rates increased 10% in July 2007 from \$3.00 to \$3.30 per 1,000 gallons. Water and sewer revenues were up \$515,366, or 12.0%. Tap, connection, and availability fees are unpredictable and dependent on development activity, and were up significantly to \$920,762 from last year due to development activity. The City received \$134,400 this year from contracts with three cell-phone providers using water tanks as a base for telecommunications equipment. Interest earnings were \$209,655, down 17.4% from last year, due to lower short-term interest rates during the past year.



Utility Fund expenses totaled \$4.7 Million for the year, compared to \$4.3 Million last year. Salaries and wages were up 3.4% and fringe benefits were up 5.0% from last year, mostly from increases in health insurance, and the dental plan. Operating income for FY 2008 was \$1.1 Million, due largely to the increase in water rates, and tap and availability fees.



ORIGINAL AND FINAL AMENDED BUDGETS

The General Fund's capital improvement budget was increased by \$6,546,500 to carry forward the remaining appropriations for projects that were continued from the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

The City of Williamsburg's total investment in capital assets, including construction in progress, for its governmental and business type activities as of June 30, 2008, amounts to \$79.8 Million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and recreation and park facilities. Major capital assets of the Utility Fund consist of all assets used to provide water and sewer services to City residents, including the major investment of the Waller Mill Reservoir and all properties adjacent to this watershed.

Major capital project fund activities during the current fiscal year included the following:

Governmental Funds:

- Construction of Quarterpath Road continued during the year, with \$1.4 Million spent on the project at year end. The project will continue through FY 2009.
- Major maintenance was performed on three bridges during the year at a cost of \$832,099.
- The Emergency Operations Center project was initiated during FY 2008, with \$85,433 spent out of the anticipated \$1.9 Million project, which will be completed in early 2009.
- Equipment upgrades to the Emergency 911 dispatch operation were completed at a cost of \$337,219.
- Purchase, demolition, and cleanup to the Tioga Motel property in preparation to market as prime commercial property was completed during FY 2008 at a cost of \$1.1 Million.
- The Kiwanis Park ball field renovation was continued at a cost of \$729,064.
- School projects, including renovations to existing facilities, and the City's share of construction costs of two new schools were funded during the year at a cost of \$1,775,060.
- Vehicles were replaced citywide under the replacement plan for \$275,178.

Utility Fund:

- Watershed protection expenses totaled \$290,870, and included purchase of two properties, and consulting work for determining safe yield for the City's future water demands.
- A water tank generator was replaced at a cost of \$97,360.

Additional information on the City of Williamsburg's capital assets can be found in Notes to the Financial Statements section of this report.

Long-Term Debt

At June 30, 2008, the City of Williamsburg had total bonded debt outstanding of \$11.1 Million. Bonds payable for Governmental Activities were \$10.5 Million, while business-type activities owed \$566,667 at year end. The full faith and credit of the government backs these instruments.

The City's total bonded debt decreased \$2.4 Million during FY 2008. The City's remaining capacity for debt at June 30, 2008 was approximately \$169 million. The City of Williamsburg has not been rated by a major rating service such as Moody's Investor's Service, or Standard & Poor's. All borrowings have been Bank-Qualified (under \$10 Million) private placements with regional banking institutions and private individuals. As in the past, based on recommendation of the City's financial advisors, Davenport and

Company, the City of Williamsburg will consider all aspects of private vs. public borrowing in its borrowing analysis. Additional information on the City of Williamsburg's long-term debt can be found in Note 9-Long-Term Obligations, in the Notes to Financial Statements section of this report.

Requests for Information

This financial report is designed to provide a general overview of the City of Williamsburg's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Williamsburg, 401 Lafayette St., Williamsburg, VA 23185

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Williamsburg, Virginia
Statement of Net Assets
June 30, 2008

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-type Activities | Total |
| | | | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 8,873,488 | \$ 1,313,407 | \$ 10,186,895 |
| Investments | 18,748,568 | 5,121,608 | 23,870,176 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 149,090 | - | 149,090 |
| Accounts receivable | 1,304,510 | 1,019,808 | 2,324,318 |
| Notes receivable | 540,797 | - | 540,797 |
| Interest receivable | 12,775 | - | 12,775 |
| Internal balances | 41,576 | (41,576) | - |
| Due from other governmental units | 1,194,899 | - | 1,194,899 |
| Prepaid expenses | 13,485 | - | 13,485 |
| Deferred charges | 32,710 | - | 32,710 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 9,759,682 | 6,306,101 | 16,065,783 |
| Buildings and system | 18,603,041 | 4,807,221 | 23,410,262 |
| Improvements other than buildings | 7,828,780 | 1,936,086 | 9,764,866 |
| Machinery and equipment | 2,669,113 | 619,999 | 3,289,112 |
| Infrastructure | 25,061,367 | - | 25,061,367 |
| Construction in progress | 2,203,615 | - | 2,203,615 |
| Total assets | \$ 97,037,496 | \$ 21,082,654 | \$ 118,120,150 |
| LIABILITIES | | | |
| Accounts payable | \$ 1,258,849 | \$ 565,708 | \$ 1,824,557 |
| Accrued liabilities | 237,791 | 42,348 | 280,139 |
| Refundable deposits | 29,050 | 40,595 | 69,645 |
| Accrued interest payable | 103,092 | - | 103,092 |
| Unearned revenue | 48,929 | 175,500 | 224,429 |
| Long-term liabilities: | | | |
| Due within one year | 1,488,128 | 194,543 | 1,682,671 |
| Due in more than one year | 9,824,907 | 494,372 | 10,319,279 |
| Total liabilities | \$ 12,990,746 | \$ 1,513,066 | \$ 14,503,812 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ 55,591,451 | \$ 13,102,740 | \$ 68,694,191 |
| Unrestricted (deficit) | 28,455,299 | 6,466,848 | 34,922,147 |
| Total net assets | \$ 84,046,750 | \$ 19,569,588 | \$ 103,616,338 |

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Activities
For the Year Ended June 30, 2008

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|-------------------------|-----------------------------|---|---|--|-------------------|------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | Governmental Activities | Business-type Activities | | | |
| PRIMARY GOVERNMENT: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government administration | \$ 3,925,496 | \$ 1,754,093 | \$ 159,436 | \$ - | \$ (2,011,967) | | \$ (2,011,967) |
| Judicial administration | 369,459 | 140,559 | - | - | (228,900) | | (228,900) |
| Public safety | 9,410,409 | 479,255 | 543,468 | - | (8,387,686) | | (8,387,686) |
| Public works | 4,504,611 | - | 1,332,230 | - | (3,172,381) | | (3,172,381) |
| Health and welfare | 2,415,272 | - | 1,234,536 | - | (1,180,736) | | (1,180,736) |
| Education | 8,446,319 | - | 717,848 | 103,130 | (7,625,341) | | (7,625,341) |
| Parks, recreation, and cultural | 2,275,707 | 298,453 | 5,000 | - | (1,972,254) | | (1,972,254) |
| Community development | 5,694,235 | 43,750 | 6,508 | 361,305 | (5,282,672) | | (5,282,672) |
| Interest on long-term debt | 467,896 | - | - | - | (467,896) | | (467,896) |
| Total government activities | <u>\$ 37,509,404</u> | <u>\$ 2,716,110</u> | <u>\$ 3,999,026</u> | <u>\$ 464,435</u> | <u>\$ (30,329,833)</u> | | <u>\$ (30,329,833)</u> |
| Business-type activities: | | | | | | | |
| Utility Fund | \$ 4,769,797 | \$ 5,751,177 | \$ - | \$ - | \$ 981,380 | \$ 981,380 | |
| Total business-type activities | <u>\$ 4,769,797</u> | <u>\$ 5,751,177</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 981,380</u> | <u>\$ 981,380</u> | |
| Total primary government | <u>\$ 42,279,201</u> | <u>\$ 8,467,287</u> | <u>\$ 3,999,026</u> | <u>\$ 464,435</u> | | | <u>\$ (29,348,453)</u> |
| General revenues: | | | | | | | |
| General property taxes | | | \$ 11,787,562 | \$ - | \$ 11,787,562 | | |
| Local sales and use taxes | | | 4,562,028 | - | 4,562,028 | | |
| Consumers' utility taxes | | | 1,107,790 | - | 1,107,790 | | |
| Restaurant food taxes | | | 6,005,227 | - | 6,005,227 | | |
| Hotel and motel taxes | | | 4,447,662 | - | 4,447,662 | | |
| \$2 lodging taxes | | | 1,625,774 | - | 1,625,774 | | |
| Other local taxes | | | 800,542 | - | 800,542 | | |
| Unrestricted revenues from use of money and property | | | 1,765,800 | 209,655 | 1,975,455 | | |
| Miscellaneous | | | 1,959,074 | 147,610 | 2,106,684 | | |
| Grants and contributions not restricted to specific programs | | | 899,609 | - | 899,609 | | |
| Total general revenues | <u>\$ 34,961,068</u> | | <u>\$ 357,265</u> | | <u>\$ 35,318,333</u> | | |
| Change in net assets | | | | | | | |
| Net assets - beginning | | | \$ 4,631,235 | \$ 1,338,645 | \$ 5,969,880 | | |
| Net assets - ending | | | <u>79,415,515</u> | <u>18,230,943</u> | <u>97,646,458</u> | | |
| | | | <u>\$ 84,046,750</u> | <u>\$ 19,569,588</u> | <u>\$ 103,616,338</u> | | |

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

City of Williamsburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2008

| | <u>General</u> | <u>Funds</u> | <u>Other Governmental</u> | <u>Total</u> |
|--|----------------------|-------------------|-------------------------------|--------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 8,733,766 | \$ 139,722 | \$ 8,873,488 | |
| Investments | 18,748,568 | - | 18,748,568 | |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 149,090 | - | 149,090 | |
| Accounts receivable | 1,304,510 | - | 1,304,510 | |
| Notes receivable | 540,797 | - | 540,797 | |
| Interest receivable | 12,775 | - | 12,775 | |
| Due from other funds | 62,741 | - | 62,741 | |
| Due from other governmental units | 1,085,686 | 109,213 | 1,194,899 | |
| Prepaid items | 13,485 | - | 13,485 | |
| Total assets | <u>\$ 30,651,418</u> | <u>\$ 248,935</u> | <u>\$ 30,900,353</u> | |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,258,849 | \$ - | \$ 1,258,849 | |
| Accrued liabilities | 237,791 | - | 237,791 | |
| Refundable deposits | 29,050 | - | 29,050 | |
| Accrued interest payable | 35,973 | - | 35,973 | |
| Due to other funds | - | 21,165 | 21,165 | |
| Deferred revenue | 87,958 | 44,945 | 132,903 | |
| Total liabilities | <u>\$ 1,649,621</u> | <u>\$ 66,110</u> | <u>\$ 1,715,731</u> | |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Notes receivable | \$ 540,797 | \$ - | \$ 540,797 | |
| Prepaid items | 13,485 | - | 13,485 | |
| Unreserved, reported in: | | | | |
| General fund | 25,473,888 | - | 25,473,888 | |
| Special revenue funds | - | 182,825 | 182,825 | |
| Designated for: | | | | |
| General fund - subsequent years': | | | | |
| Capital expenditures | 2,483,342 | - | 2,483,342 | |
| Health care costs | 490,285 | - | 490,285 | |
| Total fund balances | <u>\$ 29,001,797</u> | <u>\$ 182,825</u> | <u>\$ 29,184,622</u> | |
| Total liabilities and fund balances | <u>\$ 30,651,418</u> | <u>\$ 248,935</u> | <u>\$ 30,900,353</u> | |

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|--|-------------------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ 29,184,622 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 66,125,598 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The following is a summary of items supporting this adjustment: | |
| Deferred property taxes | 83,974 |
| Amortizable bonds fees | <u>32,710</u> |
| | 116,684 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment: | |
| General obligation bonds | (10,534,147) |
| Accrued interest payable | (67,119) |
| Compensated absences | <u>(778,888)</u> (11,380,154) |
| Net assets of governmental activities | <u>\$ 84,046,750</u> |

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

| | General | Other Governmental Funds | Total |
|--|----------------------|--------------------------------|-----------------------|
| REVENUES | | | |
| General property taxes | \$ 11,844,277 | \$ - | \$ 11,844,277 |
| Other local taxes | 20,303,115 | - | 20,303,115 |
| Permits, privilege fees, and regulatory licenses | 376,974 | - | 376,974 |
| Fines and forfeitures | 241,302 | - | 241,302 |
| Revenue from the use of money and property | 1,765,785 | 15 | 1,765,800 |
| Charges for services | 343,741 | - | 343,741 |
| Miscellaneous | 546,372 | 16,178 | 562,550 |
| Recovered costs | 760,001 | - | 760,001 |
| Intergovernmental revenues: | | | |
| Commonwealth | 5,119,327 | 556,255 | 5,675,582 |
| Federal | 363,828 | 720,184 | 1,084,012 |
| Total revenues | <u>\$ 41,664,722</u> | <u>\$ 1,292,632</u> | <u>\$ 42,957,354</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 2,956,796 | \$ - | \$ 2,956,796 |
| Judicial administration | 369,459 | - | 369,459 |
| Public safety | 9,062,257 | 2,706 | 9,064,963 |
| Public works | 3,579,302 | - | 3,579,302 |
| Health and welfare | 518,007 | 1,873,055 | 2,391,062 |
| Education | 7,135,650 | - | 7,135,650 |
| Parks, recreation, and cultural | 2,277,569 | - | 2,277,569 |
| Community development | 5,662,525 | - | 5,662,525 |
| Capital projects | 7,809,941 | - | 7,809,941 |
| Debt service: | | | |
| Principal retirement | 2,314,249 | - | 2,314,249 |
| Interest and other fiscal charges | 477,006 | - | 477,006 |
| Total expenditures | <u>\$ 42,162,761</u> | <u>\$ 1,875,761</u> | <u>\$ 44,038,522</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (498,039)</u> | <u>\$ (583,129)</u> | <u>\$ (1,081,168)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ - | \$ 558,600 | \$ 558,600 |
| Transfers out | (558,600) | - | (558,600) |
| Total other financing sources (uses) | <u>\$ (558,600)</u> | <u>\$ 558,600</u> | <u>\$ -</u> |
| Net change in fund balances | \$ (1,056,639) | \$ (24,529) | \$ (1,081,168) |
| Fund balances - beginning | 30,058,436 | 207,354 | 30,265,790 |
| Fund balances - ending | <u>\$ 29,001,797</u> | <u>\$ 182,825</u> | <u>\$ 29,184,622</u> |

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|----------------|
| Net change in fund balances - total governmental funds | \$ (1,081,168) |
|--|----------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

| | |
|----------------------|--------------------|
| Capital outlay | 6,024,200 |
| Depreciation expense | <u>(2,530,171)</u> |
| | 3,494,029 |

| | |
|--|----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (56,714) |
|--|----------|

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The following is a summary of items supporting this adjustment:

| | |
|--|----------------|
| Principal retirement on general obligation bonds | 2,314,249 |
| Amortization of bond fees | <u>(2,727)</u> |
| | 2,311,522 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

| | |
|---|---------------|
| (Increase) decrease in accrued leave | (48,272) |
| (Increase) decrease in interest payable | <u>11,838</u> |
| | (36,434) |

| | |
|---|---------------------|
| Change in net assets of governmental activities | \$ <u>4,631,235</u> |
|---|---------------------|

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2008

| | Utility Fund |
|---|-------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,313,407 |
| Investments | 5,121,608 |
| Accounts receivable, net of allowances for uncollectibles | 1,019,808 |
| Total current assets | <u>\$ 7,454,823</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Land | \$ 6,306,101 |
| Buildings and system | 9,885,654 |
| Improvements other than buildings | 6,365,901 |
| Machinery and equipment | 1,355,084 |
| Less: accumulated depreciation | (10,243,333) |
| Total noncurrent assets | <u>\$ 13,669,407</u> |
| Total assets | <u>\$ 21,124,230</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 565,708 |
| Accrued liabilities | 42,348 |
| Refundable deposits | 40,595 |
| Due to other funds | 41,576 |
| Compensated absences | 61,210 |
| Deferred revenue | 175,500 |
| Bonds payable - current portion | 133,333 |
| Total current liabilities | <u>\$ 1,060,270</u> |
| Noncurrent liabilities: | |
| Bonds payable - net of current portion | \$ 433,334 |
| Compensated absences | 61,038 |
| Total noncurrent liabilities | <u>\$ 494,372</u> |
| Total liabilities | <u>\$ 1,554,642</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | \$ 13,102,740 |
| Unrestricted | 6,466,848 |
| Total net assets | <u>\$ 19,569,588</u> |

The notes to the financial statements are an integral part of this statement.

Exhibit 8

**City of Williamsburg, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008**

| | Utility <u>Fund</u> |
|---|--------------------------------|
| OPERATING REVENUES | |
| Charges for services: | |
| Water revenues | \$ 3,879,207 |
| Sewer revenues | 943,190 |
| Tap and availability fees | 914,762 |
| Penalty and interest | 14,018 |
| Miscellaneous | <u>141,610</u> |
| Total operating revenues | <u>\$ 5,892,787</u> |
| OPERATING EXPENSES | |
| Personnel services | \$ 1,094,256 |
| Fringe benefits | 440,095 |
| Contractual services | 1,431,871 |
| Other charges | 1,385,811 |
| Depreciation | <u>387,863</u> |
| Total operating expenses | <u>\$ 4,739,896</u> |
| Operating income (loss) | <u>\$ 1,152,891</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | \$ 209,655 |
| Interest expense | (29,901) |
| Connection fees | <u>6,000</u> |
| Total nonoperating revenues (expenses) | <u>\$ 185,754</u> |
| Income before contributions and transfers | <u>\$ 1,338,645</u> |
| Total net assets - beginning | <u>18,230,943</u> |
| Total net assets - ending | <u>\$ 19,569,588</u> |

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

| | Utility Fund |
|--|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 5,912,203 |
| Payments to suppliers | (2,590,525) |
| Payments to and for employees | (1,531,687) |
| Net cash provided (used) by operating activities | <u>\$ 1,789,991</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Additions to utility plant | \$ (592,485) |
| Principal payments on bonds | (133,333) |
| Interest payments | (32,645) |
| Net cash provided (used) by capital and related financing activities | <u>\$ (758,463)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Sale (purchase) of investments | (9,654) |
| Interest and dividends received | 209,655 |
| Other | 6,000 |
| Net cash provided (used) by investing activities | <u>\$ 206,001</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 1,237,529 |
| Cash and cash equivalents - beginning | 75,878 |
| Cash and cash equivalents - ending | <u>\$ 1,313,407</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | |
| Operating income (loss) | \$ 1,152,891 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 387,863 |
| (Increase) decrease in accounts receivable | (159,592) |
| (Increase) decrease in deferred charges | 17,972 |
| Increase (decrease) in compensated absences | 2,664 |
| Increase (decrease) in accounts payable | 206,527 |
| Increase (decrease) in deferred revenue | 175,500 |
| Increase (decrease) customer deposits | 3,508 |
| Increase (decrease) in due to other funds | 2,658 |
| Total adjustments | <u>\$ 637,100</u> |
| Net cash provided (used) by operating activities | <u>\$ 1,789,991</u> |

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

| | <u>Agency Funds</u> |
|-----------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 255,199 |
| Investments, at fair value: | |
| Other investments | 1,141,169 |
| Total assets | <u>\$ 1,396,368</u> |
| LIABILITIES | |
| Accounts payable | \$ 11,639 |
| Amounts held for others | 1,384,729 |
| Total liabilities | <u>\$ 1,396,368</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2008

Note 1—Summary of Significant Accounting Policies:

The City of Williamsburg, Virginia (the "City") was established by the General Assembly of the Commonwealth of Virginia in 1699 and was incorporated by British Royal Charter in 1722. The City is a municipal corporation governed by an elected mayor and four-member council. The accompanying financial statements present the government and the entities for which the government is considered to be financially accountable.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 1—Summary of Significant Accounting Policies: (Continued)

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the current reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Williamsburg (the primary government).

B. Individual Component Unit Disclosures

Blended Component Unit - the City has no blended component units to be included for the fiscal year ended June 30, 2008.

Discretely Presented Component Units - the City has no discretely presented component units to be included for the fiscal year ended June 30, 2008.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations

Not included in the City's financial statements are certain entities created as separate governments under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by the City Council. Specific information on the nature of the individual agencies and description of their financial transactions affecting the City are provided in the following paragraphs:

1. Williamsburg Redevelopment & Housing Authority - The Authority is a public corporation that administers urban development projects and operates all public housing in the City. City Council selects the members of the Authority's board; however, the board designates its own management and has the responsibility for budget adoption and revision. The Authority's operating and capital expenditures, including debt service, are financed principally with federal funds and rentals. Separate financial statements are prepared and are available, which reflect the details of its operations.
2. The City of Williamsburg - County of James City, Virginia Joint Public Schools - Under the terms of an agreement dated January 14, 1954, and subsequently revised, between the governing bodies and the school boards of the City of Williamsburg, Virginia and the County of James City, Virginia, effective July 1, 1955, the two localities consolidated the operations of their schools. By agreement, the City's share of operational costs will be equivalent to the percentage of City students each year beginning July 1, 2002, times an add-on factor that varies by year as follows - the last five of which are a result of the latest agreement amended April 12, 2008 for Fiscal Years 2008 through 2012:

| Fiscal Year | Factor |
|-------------|--------|
| 2008 | 1.15 |
| 2009 | 1.15 |
| 2010 | 1.15 |
| 2011 | 1.14 |
| 2012 | 1.14 |

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations (Continued)

The City of Williamsburg - County of James City, Virginia Joint Public Schools (Continued)

Summary financial information on the school operations as of June 30, 2008, is as follows:

| | |
|---|----------------------|
| Total assets | <u>\$ 14,874,409</u> |
| Liabilities | 12,152,775 |
| Fund equity and other credits | <u>2,721,634</u> |
| Total liabilities, fund equity, and other credits | <u>\$ 14,874,409</u> |
| Revenues | 110,099,994 |
| Expenditures and other financing uses | <u>110,345,237</u> |
| Excess of expenditures and other financing uses over revenues | <u>(245,243)</u> |
| Fund balance, beginning | <u>2,966,877</u> |
| Fund balance, ending | <u>\$ 2,721,634</u> |

General Long-term debt of the joint school operations consists of liabilities for early retirement, compensated absences, and obligations under capital leases. Each participating government is responsible for its own debt related to school properties.

3. Williamsburg Regional Library - The Library is a joint operation of the City of Williamsburg and the County of James City, Virginia, operating under a contract dated January 14, 1999. It receives funding from the State of Virginia, the federal government, York County, and some private sources. The Library's board is split between City and County appointees. The Library's management is independent from City and County control. During the current fiscal year, the City contributed \$884,955 to the Library's operating budget, or 15.5% of its net appropriated support. Separate financial statements are prepared and are available, which reflect the details of its operations.

4. Other Agencies - Certain agencies and commissions service both the City of Williamsburg and surrounding localities. Board membership is allocated among the localities and their governing bodies make appointments. These agencies include: Hampton Roads Planning District Commission (HRPDC), Peninsula Alliance for Economic Development (PAED), Colonial Services Board, Virginia Peninsula Regional Jail, Group Home Commission, Middle Peninsula Juvenile Detention Commission, Peninsula Agency on Aging, Community Action Agency, Crossroads, Hampton Roads Partnership, Virginia Peninsula Public Service Authority, and the Williamsburg Area Arts Commission.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the City.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the General Fund as a major governmental fund.

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Proprietary Funds - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City's Major Enterprise Fund consists of the Utility Fund.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following non-major funds: Virginia Public Assistance Fund and Law Enforcement Block Grant Fund. The Virginia Public Assistance Fund accounts for the Social Services programs of the City and is funded primarily through intergovernmental revenues.

Fiduciary Funds - (Trust and Agency Funds) - account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds Presentation. Agency funds utilize the accrual basis of accounting described in the Proprietary Fund Presentation. Agency funds include the Williamsburg Regional Library, the Williamsburg Tricentennial Fund, Colonial CASA Fund, Economic Development Authority, and the Farmer's Market Fund. Fiduciary funds are not included in the government-wide financial statements.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 1—Summary of Significant Accounting Policies: (Continued)

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$207,064 at June 30, 2008 is comprised solely of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

| | <u>Real Property</u> | <u>Personal Property</u> |
|-----------|----------------------|--------------------------|
| Levy | July 1 | January 1 |
| Due Date | December 1 / June 1 | December 1 |
| Lien Date | July 1 | January 1 |

The City bills and collects its own property taxes. The City follows the practice of reassessing real estate annually and personal property annually.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as land, buildings, infrastructure, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized asset as of June 30, 2008 was immaterial.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Capital Assets (Continued)

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives.

| Assets | Years |
|-----------------------------------|-------|
| Buildings | 40 |
| Improvements other than buildings | 20 |
| Infrastructure | |
| Roads | 30 |
| Bridges and culverts | 50 |
| Water/sewer system | 40 |
| Equipment | 3-10 |

I. Compensated Absences

Vested or accumulated vacation leave is recognized as an expenditure and liability of the governmental fund that will pay it when it is matured. Thus, the only portion of a compensated absences liability that is reported in the governmental funds would be the amount of reimbursable unused vacation leave or sick leave payable to employees who had terminated their employment as of June 30th. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The City’s policy is to fund pension cost as it accrues.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 1—Summary of Significant Accounting Policies: (Continued)

M. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

N. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Prepaid Items

Prepaid expenditures in governmental funds are offset by reservation of fund balance.

P. Inventory

Inventory is valued at cost using the weighted average method. Inventory consists of expendable supplies held for consumption and is recorded as expenditures when used (consumption method). In the Governmental Funds, inventory is equally offset by a fund balance reserve which indicates that it does not constitute “currently expendable financial resources”.

Note 2—Stewardship, Compliance, and Accounting:

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least 60 days prior to the beginning of such fiscal year.
2. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). A budget resolution must be adopted by the City Council prior to June 30 or as soon thereafter as is practicable.
3. The City utilizes the budget resolution of budgetary control whereby City Council adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Fund. Adopted budgets may be amended or superseded by action of City Council.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 2—Stewardship, Compliance, and Accounting (Continued):

4. Budgets are also adopted by City Council for the Enterprise Funds. Budget to actual comparisons for these funds are not presented herein since there is no legal requirement for such presentation.
5. All operating budgets include proposed expenditures and the means of financing them. The City Manager has the authority to transfer amounts within the departments, so long as the total appropriation for a department is not adjusted. Budgeted amounts as presented in the financial statements reflect reallocations within budget categories through June 30, 2008.
6. Appropriation control is maintained at the department level. Appropriations lapse at year end. Encumbrances and reserved fund balances outstanding at year end are re-appropriated in the succeeding year.
7. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments:

| Department | Budget | Actual | Overexceed Amount |
|-----------------------------|-----------|-----------|-------------------|
| Public assistance | \$ 40,000 | \$ 42,169 | \$ 2,169 |
| Other community development | - | 361,305 | 361,305 |

Note 3—Deposits and Investments:

Deposits

All cash of the primary government is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2008

Note 3—Deposits and Investments: (Continued)

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2008 were rated by *Standard and Poor's* and the ratings are presented below using the *Standard and Poor's* rating scale. The City's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio, and not more than 5% per issuer.

| Locality's Rated Debt Investments' Values | | | |
|---|----------------------|----------------------|-------------------|
| Rated Debt Investments | Fair Quality Ratings | | |
| | AAA | AAAm | A+ |
| Local Government Investment Pool | \$ - | \$ 24,145,454 | \$ - |
| Government Bonds | 600,678 | - | - |
| Corporate Bonds | - | - | 250,028 |
| Total | <u>\$ 600,678</u> | <u>\$ 24,145,454</u> | <u>\$ 250,028</u> |

Interest Rate Risk

According to the City's investment policy, every effort shall be made to manage investment maturities to precede or coincide with the expected need for funds.

| Investment Type | Investment Maturities (in years) | | |
|------------------|----------------------------------|---------------------|-------------|
| | Fair Value | Less Than 1 Year | 1-5 Years |
| Government Bonds | \$ 600,678 | \$ 600,678 | \$ - |
| Corporate Bonds | 250,028 | 250,028 | - |
| Total | <u>\$ 850,706</u> | <u>\$ 850,706</u> | <u>\$ -</u> |

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 3—Deposits and Investments: (Continued)

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 4—Due from Other Governments:

At June 30, 2008, the City has receivables from other governments as follows:

| | <u>Primary Government</u> |
|---------------------------|-------------------------------|
| Other Local Governments: | |
| County of James City | \$ 5,389 |
| Commonwealth of Virginia: | |
| Communications tax | 132,525 |
| E-911 wireless tax | 3,283 |
| Local sales tax | 797,407 |
| Recordation tax | 16,763 |
| Rolling stock tax | 6,167 |
| Social services | 44,198 |
| State sales tax | 124,152 |
| Federal Government: | |
| Social Services | <u>65,015</u> |
| Total | <u>\$ 1,194,899</u> |

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2008 are as follows:

| Fund | Interfund Receivables | Interfund Payables |
|----------------------------|--------------------------|-----------------------|
| General | \$ 62,741 | \$ - |
| Virginia Public Assistance | - | 21,165 |
| Proprietary | - | 41,576 |
| Total | <u>\$ 62,741</u> | <u>\$ 62,741</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 6—Notes Receivable:

The City has three non-interest bearing notes receivable for \$153,000, \$110,000, and \$277,005 due from the Williamsburg Redevelopment and Housing Authority secured by deeds of trust. The notes are due on the sale of the respective properties.

Note 7—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2008:

| | Balance July 1, 2007 | Additions | Deletions | Balance June 30, 2008 |
|---|-------------------------|---------------------|-------------------|--------------------------|
| <i>Governmental activities:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 8,611,637 | \$ 1,148,045 | \$ - | \$ 9,759,682 |
| Construction in progress | <u>683,138</u> | <u>1,520,477</u> | <u>-</u> | <u>2,203,615</u> |
| Total capital assets not subject to depreciation | <u>\$ 9,294,775</u> | <u>\$ 2,668,522</u> | <u>\$ -</u> | <u>\$ 11,963,297</u> |
| Capital assets subject to depreciation: | | | | |
| Buildings and system | \$ 28,608,602 | \$ 87,002 | \$ - | \$ 28,695,604 |
| Improvements other than buildings | 10,897,829 | 1,281,275 | - | 12,179,104 |
| Infrastructure | 47,335,389 | 960,031 | - | 48,295,420 |
| Machinery and equipment | <u>6,370,551</u> | <u>1,027,370</u> | <u>161,773</u> | <u>7,236,148</u> |
| Total capital assets subject to depreciation | <u>\$ 93,212,371</u> | <u>\$ 3,355,678</u> | <u>\$ 161,773</u> | <u>\$ 96,406,276</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and system | \$ 9,381,641 | \$ 710,922 | \$ - | \$ 10,092,563 |
| Improvements other than buildings | 3,826,061 | 524,263 | - | 4,350,324 |
| Infrastructure | 22,386,641 | 847,412 | - | 23,234,053 |
| Machinery and equipment | <u>4,281,234</u> | <u>447,574</u> | <u>161,773</u> | <u>4,567,035</u> |
| Total accumulated depreciation | <u>\$ 39,875,577</u> | <u>\$ 2,530,171</u> | <u>\$ 161,773</u> | <u>\$ 42,243,975</u> |
| Total capital assets subject to depreciation, net | <u>\$ 53,336,794</u> | <u>\$ 825,507</u> | <u>\$ -</u> | <u>\$ 54,162,301</u> |
| Governmental activities capital assets, net | <u>\$ 62,631,569</u> | <u>\$ 3,494,029</u> | <u>\$ -</u> | <u>\$ 66,125,598</u> |

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 7—Capital Assets: (Continued)

| | Balance | | | Balance |
|---|----------------------|--------------------|------------------|----------------------|
| | July 1, 2007 | Additions | Deletions | June 30, 2008 |
| <i>Business-type activities:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 5,395,400 | \$ 256,901 | \$ - | \$ 5,652,301 |
| Open easement | 653,800 | - | - | 653,800 |
| Total capital assets not subject to depreciation | <u>6,049,200</u> | <u>256,901</u> | <u>-</u> | <u>6,306,101</u> |
| Capital assets subject to depreciation: | | | | |
| Buildings and system | \$ 9,885,654 | \$ - | \$ - | \$ 9,885,654 |
| Improvements other than buildings | 6,275,469 | 90,432 | - | 6,365,901 |
| Machinery and equipment | 1,140,789 | 245,152 | 30,857 | 1,355,084 |
| Total capital assets subject to depreciation | <u>\$ 17,301,912</u> | <u>\$ 335,584</u> | <u>\$ 30,857</u> | <u>\$ 17,606,639</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and system | \$ 4,882,779 | \$ 195,654 | \$ - | \$ 5,078,433 |
| Improvements other than buildings | 4,323,162 | 106,653 | - | 4,429,815 |
| Machinery and equipment | 680,386 | 85,556 | 30,857 | 735,085 |
| Total accumulated depreciation | <u>\$ 9,886,327</u> | <u>\$ 387,863</u> | <u>\$ 30,857</u> | <u>\$ 10,243,333</u> |
| Total capital assets subject to depreciation, net | <u>\$ 7,415,585</u> | <u>\$ (52,279)</u> | <u>\$ -</u> | <u>\$ 7,363,306</u> |
| Business-type activities capital assets, net | <u>\$ 13,464,785</u> | <u>\$ 204,622</u> | <u>\$ -</u> | <u>\$ 13,669,407</u> |

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2008

Note 7—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs/funds as follows:

| | | |
|--|----|------------------|
| Governmental activities: | | |
| General government | \$ | 934,138 |
| Public safety | | 334,075 |
| Public works | | 1,020,970 |
| Health and welfare | | 2,692 |
| Parks, recreation and cultural | | 220,894 |
| Community development | | <u>17,402</u> |
| Total depreciation expense - governmental activities | \$ | <u>2,530,171</u> |
| Business-type activites: | | |
| Water and sewer | \$ | <u>387,863</u> |

Note 8—Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following:

| Fund | Transfers In | Transfers Out |
|---------------------------------|-------------------|-------------------|
| General Fund | \$ - | \$ 558,600 |
| Special Revenue Fund: | | |
| Virginia Public Assistance Fund | <u>558,600</u> | - |
| Total | <u>\$ 558,600</u> | <u>\$ 558,600</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 9—Long-Term Obligations:

Annual requirements to amortize long-term obligations and related interest are as follows:

| | Amounts Payable at July 1, 2007 | Increases | Decreases | Amounts Payable at June 30, 2008 | Amounts Due Within One Year |
|----------------------------------|---------------------------------------|------------------|---------------------|--|-----------------------------------|
| Primary Government: | | | | | |
| Governmental Obligations: | | | | | |
| General obligation bonds | \$ 11,548,396 | \$ - | \$ 1,014,249 | \$ 10,534,147 | \$ 1,036,704 |
| Note payable | 1,300,000 | - | 1,300,000 | - | - |
| Compensated absences | 730,616 | 48,272 | - | 778,888 | 451,424 |
| Total Governmental obligations | <u>\$ 13,579,012</u> | <u>\$ 48,272</u> | <u>\$ 2,314,249</u> | <u>\$ 11,313,035</u> | <u>\$ 1,488,128</u> |
| Business-Type Activities: | | | | | |
| Enterprise Obligations: | | | | | |
| General obligation bonds | \$ 700,000 | \$ - | \$ 133,333 | \$ 566,667 | \$ 133,333 |
| Compensated absences | 119,584 | 2,664 | - | 122,248 | 61,210 |
| Total Enterprise obligations: | <u>\$ 819,584</u> | <u>\$ 2,664</u> | <u>\$ 133,333</u> | <u>\$ 688,915</u> | <u>\$ 194,543</u> |

Annual debt service requirements to maturity for general obligation bonds and notes payable are as follows:

| Year Ended June 30 | Governmental Activities | | Business-Type Activities | |
|-----------------------|-------------------------|---------------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2009 | \$ 1,036,704 | \$ 413,846 | \$ 133,333 | \$ 25,319 |
| 2010 | 1,064,816 | 370,670 | 133,333 | 18,641 |
| 2011 | 1,088,610 | 326,357 | 133,333 | 11,963 |
| 2012 | 1,118,109 | 280,313 | 133,333 | 4,486 |
| 2013 | 843,344 | 239,140 | 33,335 | 2,000 |
| 2014 - 2018 | 3,962,855 | 725,651 | - | - |
| 2019 - 2020 | 1,419,709 | 80,564 | - | - |
| Total | <u>\$ 10,534,147</u> | <u>\$ 2,436,541</u> | <u>\$ 566,667</u> | <u>\$ 62,409</u> |

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 9—Long-Term Obligations: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations, Governmental Activities:

General Obligation Bonds :

The City authorized and issued a \$2,500,000 general obligation bond for the purpose of financing the construction of a parking garage. The bond bears interest at 4.55%. Interest is payable semi-annually and principal is to be repaid in annual installments and matures January 15, 2017.

| | Total Amount |
|--|-----------------|
| | \$ 1,695,000 |

The City authorized and issued a \$4,000,000 general obligation bond for the purpose of financing several public improvement projects payable in principal installments of \$66,666 plus interest at a variable rate equal to the London Interbank Offered Rate (LIBOR) minus 1.40%. Payments are due the first day of each March, June, September, and December through June 2012.

1,133,334

The City authorized and issued a \$2,000,000 general obligation bond in August 1997 for capital improvements. The bond is payable in quarterly principal installments of \$133,333 plus interest at a fixed rate of 4.94%. Payments are due the first day of each March, June, September, and December through September 2012.

566,666

The City authorized and issued a \$8,500,000 general obligation bond in April 2005 for the purpose of prepayment on \$4,500,000 note pertaining to the Prince George Parking Garage and to finance the construction of a new high school. The bond is payable in annual principal installments plus semi-annual interest payments at a fixed rate of 3.76%. Payments are due the first day of April. Payments began October 1, 2005 and end April 2020.

7,139,147

Total general obligation bonds

\$ 10,534,147

Compensated absences (payable from General Fund)

\$ 778,888

Total Long-Term Obligations, Governmental Activities

\$ 11,313,035

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 9—Long-Term Obligations: (Continued)

| Long-Term Obligations, Business-Type Activities: | Total Amount |
|---|--------------------------|
| <u>General Obligation Bonds :</u> | |
| The City Authorized and issued a \$2,000,000 general obligation bond in August 1997 for the purpose of improvements to the City's water filtration plant. The bond is payable in quarterly principal installments of \$133,333 plus interest at a fixed rate of 4.9%. Payments are due the first day of each March, June, September, and December through September 2012. | <u>\$ 566,667</u> |
| Total general obligation bonds | <u>\$ 566,667</u> |
| Compensated absences (payable from Enterprise Fund) | <u>\$ 122,248</u> |
| Total Long-Term Obligations, Business-Type Activities | <u><u>\$ 688,915</u></u> |

Note 10—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$132,903 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$83,852 at June 30, 2008.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2008, but paid in advance by the tax payers totaled \$123 at June 30, 2008.

Other Deferred Revenue: Deferred revenue representing uncollected state and federal grants not available for funding of current expenditures totaled \$48,928 at June 30, 2008.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 11—Commitments and Contingencies:

Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

| | Project | Contractor | Amount of Contract | Contract Outstanding at 6/30/2008 |
|----------------|--|------------------------|--------------------|-----------------------------------|
| Sales Tax Fund | Williamsburg Emergency Operations Center | David A. Nice Builders | \$ 1,667,600 | \$ 1,618,217 |

Note 12—Litigation:

At June 30, 2008, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

Note 13—Risk Management:

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays annual premiums to the pool for its property, theft, auto liability, and general liability coverage. Settled claims for the City resulting from these risks have not exceeded insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2008.

The City is also a participating member in the Virginia Municipal Group Self Insurance Association. This non-profit entity provides workers' compensation coverage in compliance with the Virginia Workers' Compensation Code. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The City pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid.

In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion, which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. In addition, the City provides various surety bond coverage as required under regulations and at industry recommended levels.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2008

Note 13—Risk Management: (Continued)

The City has chosen to retain the risk associated with the employee's health insurance plan. Risk is retained at 100% up to an individual stop loss of \$60,000 for individual claims paid during the contract year. Premiums are paid for all eligible full time employees to a claims administrator who processes all claims. Any excess above the amount of the incurred but not reported (IBNR) claims at the end of the year are returned to the City. The annual liability for claims costs, including IBNR claims, is estimated during the annual renewal process each contract year (July 1 through June 30). The estimated claims cost is based on the prior year's experience as well as industry trends.

A summary of claims liability for the past three years follows:

| | |
|--|--------------------|
| Unpaid claims, June 30, 2005 | \$ - |
| Incurred claims (including IBNR and changes in estimate) | 188,878 |
| Claim payments | <u>(188,878)</u> |
| | |
| Unpaid claims, June 30, 2006 | \$ - |
| Incurred claims (including IBNR and changes in estimate) | 1,227,128 |
| Claim payments | <u>(1,227,128)</u> |
| | |
| Unpaid claims, June 30, 2007 | \$ - |
| Incurred claims (including IBNR and changes in estimate) | 1,301,672 |
| Claim payments | <u>(1,301,672)</u> |
| | |
| Unpaid claims, June 30, 2008 | <u> </u> |

Note 14—Defined Benefit Pension Plan:

Primary Government:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases, limited to 5% per year, beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 14—Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/publications/2007annurept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the employer. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate (including member contribution) for the fiscal year ended 2008 was 16.27% of annual covered payroll.

C. Annual Pension Cost

For fiscal 2008, the City's annual pension cost of \$1,515,973 was equal to the City's required and actual contributions.

Three-Year Trend Information for City

| Fiscal Year Ending | Annual Pension Cost (APC) (1) | Percentage of APC Contributed | Net Pension Obligation |
|--------------------|-------------------------------|-------------------------------|------------------------|
| June 30, 2006 | \$ 1,173,854 | 100% | \$ - |
| June 30, 2007 | 1,443,616 | 100% | - |
| June 30, 2008 | 1,515,973 | 100% | - |

(1) Employer and employee portions

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2008

Note 14—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was 88.87% funded. The actuarial accrued liability for benefits was \$44,112,372 and the actuarial value of assets was \$39,202,937, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,909,435. The covered payroll (annual payroll of active employees covered by the plan) was \$8,954,857, and ratio of the UAAL to the covered payroll was 54.82%.

The schedule of funding progress, presented as Required Supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 15—Other Post employment Benefits:

The City provides assistance to certain retirees, who participate in outside non-employer qualified health insurance plans, in the form of a supplemental payment for the cost of health insurance coverage. The payments are made to retirees who participated in the City's health insurance plan for at least ten consecutive years and who had either a minimum of 15 years of service or are disabled. The monthly amount of the supplemental payment is equal to \$4 for each year of service and cannot exceed \$120 per month. The supplement stops upon the death of the retiree or upon termination of the outside health insurance coverage.

The retiree health insurance supplement program was adopted by City Council effective as of January 1, 2002. As of June 30, 2008, there were 34 retirees receiving supplemental payments. The City finances the program on a pay-as-you-go basis. Total payments during the year were \$35,836.

Note 16—Surety Bonds:

The following Surety bonds are maintained by the City:

| | <u>Amount</u> |
|---|---------------|
| <u>Fidelity and Deposit Company of Maryland</u> | |
| Philip F. Serra, Director of Finance | \$ 500,000 |
| Judy Nightingale Fuqua, Commissioner of the Revenue | 3,000 |
| Betsy Woolridge, Clerk of Circuit Court | 103,000 |
| Robert Deeds, Sheriff | 30,000 |
| Employees of Constitutional officers - blanket bond | 1,000,000 |
| Police Department - blanket bond | 100,000 |
| All City of Williamsburg employees except Constitutional Officers and their subordinates and the Police Department | 100,000 |

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REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

*Presented budgets were prepared in accordance with
accounting principles generally accepted in the
United States of America*

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City of Williamsburg, Virginia
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

| | Budgeted Amounts | | | Variance with Final Budget - | |
|---|-------------------------|-----------------|-----------------------|-------------------------------------|----------------------------|
| | Original | Final | Actual Amounts | Positive (Negative) | |
| | | | | Final | Positive (Negative) |
| REVENUES | | | | | |
| General property taxes | \$ 11,135,257 | \$ 11,135,257 | \$ 11,844,277 | \$ 709,020 | |
| Other local taxes | 19,534,100 | 19,534,100 | 20,303,115 | 769,015 | |
| Permits, privilege fees, and regulatory licenses | 250,050 | 250,050 | 376,974 | 126,924 | |
| Fines and forfeitures | 242,000 | 242,000 | 241,302 | (698) | |
| Revenue from the use of money and property | 1,459,700 | 1,459,700 | 1,765,785 | 306,085 | |
| Charges for services | 332,566 | 332,566 | 343,741 | 11,175 | |
| Miscellaneous | 351,320 | 342,320 | 546,372 | 204,052 | |
| Recovered costs | 668,470 | 668,470 | 760,001 | 91,531 | |
| Intergovernmental revenues: | | | | | |
| Commonwealth | 3,769,914 | 3,788,914 | 5,119,327 | 1,330,413 | |
| Federal | - | - | 363,828 | 363,828 | |
| Total revenues | \$ 37,743,377 | \$ 37,753,377 | \$ 41,664,722 | \$ 3,911,345 | |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government administration | \$ 3,144,141 | \$ 3,144,141 | \$ 2,956,796 | \$ 187,345 | |
| Judicial administration | 370,000 | 370,000 | 369,459 | 541 | |
| Public safety | 9,350,464 | 9,350,464 | 9,062,257 | 288,207 | |
| Public works | 4,215,735 | 4,215,735 | 3,579,302 | 636,433 | |
| Health and welfare | 522,163 | 522,163 | 518,007 | 4,156 | |
| Education | 7,135,658 | 7,135,658 | 7,135,650 | 8 | |
| Parks, recreation, and cultural | 2,327,770 | 2,327,770 | 2,277,569 | 50,201 | |
| Community development | 5,504,643 | 5,504,643 | 5,662,525 | (157,882) | |
| Capital projects | 14,448,721 | 14,448,721 | 7,809,941 | 6,638,780 | |
| Debt service: | | | | | |
| Principal retirement | 2,314,249 | 2,314,249 | 2,314,249 | - | |
| Interest and other fiscal charges | 486,225 | 486,225 | 477,006 | 9,219 | |
| Total expenditures | \$ 49,819,769 | \$ 49,819,769 | \$ 42,162,761 | \$ 7,657,008 | |
| Excess (deficiency) of revenues over (under) expenditures | | | \$ (12,076,392) | \$ (12,066,392) | \$ (498,039) \$ 11,568,353 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers out | \$ (603,514) | \$ (603,514) | \$ (558,600) | \$ 44,914 | |
| Total other financing sources and uses | \$ (603,514) | \$ (603,514) | \$ (558,600) | \$ 44,914 | |
| Net change in fund balances | \$ (12,679,906) | \$ (12,669,906) | \$ (1,056,639) | \$ 11,613,267 | |
| Fund balances - beginning | 12,679,906 | 12,669,906 | 30,058,436 | 17,388,530 | |
| Fund balances - ending | \$ - | \$ - | \$ 29,001,797 | \$ 29,001,797 | |

City of Williamsburg, Virginia
Schedule of Pension Funding Progress
As of June 30, 2008

Primary Government:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio Assets as % of AAL (2) / (3) | Annual Covered Payroll | UAAL as a % of Covered Payroll (4) / (6) |
|--------------------------------|---------------------------------|---|-------------------------------------|---|------------------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 6/30/2007 | \$ 39,202,937 | \$ 44,112,372 | \$ 4,909,435 | 88.87% | \$ 8,954,857 | 54.82% |
| 6/30/2006 | 34,332,037 | 39,484,872 | 5,152,835 | 86.95% | 8,204,180 | 62.81% |
| 6/30/2005 | 32,348,698 | 39,044,073 | 6,695,375 | 82.85% | 7,722,705 | 86.70% |
| 6/30/2004 | 31,432,030 | 35,779,472 | 4,347,442 | 87.85% | 7,483,762 | 58.09% |
| 6/30/2003 | 30,940,656 | 32,977,544 | 2,036,888 | 93.82% | 7,149,147 | 28.49% |
| 6/30/2002 | 30,740,960 | 30,564,554 | (176,406) | 100.58% | 6,841,914 | -2.58% |
| 6/30/2001 | 29,626,026 | 28,096,800 | (1,529,226) | 105.44% | 6,439,813 | -23.75% |
| 6/30/2000 | 26,798,629 | 26,219,796 | (578,833) | 102.21% | 6,241,551 | -9.27% |

OTHER SUPPLEMENTARY INFORMATION

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City of Williamsburg, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

| | Virginia Public Assistance <u>Fund</u> | Law Enforcement Block <u>Grant</u> | <u>Total</u> |
|--|---|---|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 135,056 | \$ 4,666 | \$ 139,722 |
| Due from other governmental units | 109,213 | - | 109,213 |
| Total assets | \$ 244,269 | \$ 4,666 | \$ 248,935 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Due to other funds | 21,165 | - | 21,165 |
| Deferred revenue | 44,945 | - | 44,945 |
| Total liabilities | \$ 66,110 | \$ - | \$ 66,110 |
| Fund balances: | | | |
| Unreserved: | | | |
| Designated for subsequent expenditure | \$ 178,159 | \$ 4,666 | \$ 182,825 |
| Total fund balances | \$ 178,159 | \$ 4,666 | \$ 182,825 |
| Total liabilities and fund balances | \$ 244,269 | \$ 4,666 | \$ 248,935 |

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Exhibit 14

City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

| | Virginia Public Assistance <u>Fund</u> | Law Enforcement Block Grant <u>Fund</u> | Total |
|---|---|--|---------------------|
| REVENUES | | | |
| Revenue from the use of money and property | \$ - | \$ 15 | \$ 15 |
| Miscellaneous | 15,908 | 270 | 16,178 |
| Intergovernmental revenues: | | | |
| Commonwealth | 556,255 | - | 556,255 |
| Federal | 717,750 | 2,434 | 720,184 |
| Total revenues | <u>\$ 1,289,913</u> | <u>\$ 2,719</u> | <u>\$ 1,292,632</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | \$ - | \$ 2,706 | \$ 2,706 |
| Health and welfare | 1,873,055 | - | 1,873,055 |
| Total expenditures | <u>\$ 1,873,055</u> | <u>\$ 2,706</u> | <u>\$ 1,875,761</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (583,142)</u> | <u>\$ 13</u> | <u>\$ (583,129)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ 558,600 | \$ - | \$ 558,600 |
| Total other financing sources and uses | <u>\$ 558,600</u> | <u>\$ -</u> | <u>\$ 558,600</u> |
| Net change in fund balances | \$ (24,542) | \$ 13 | \$ (24,529) |
| Fund balances - beginning | 202,701 | 4,653 | 207,354 |
| Fund balances - ending | <u>\$ 178,159</u> | <u>\$ 4,666</u> | <u>\$ 182,825</u> |

City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

Virginia Public Assistance Fund

| | Budgeted Amounts | | | Variance with Final Budget | |
|--|-------------------------|--------------|---------------|---------------------------------------|-----------|
| | Original | Final | Actual | Positive (Negative) | |
| REVENUES | | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ - | \$ - | \$ - |
| Miscellaneous | 6,018 | 6,018 | 15,908 | | 9,890 |
| Intergovernmental revenues: | | | | | |
| Commonwealth | 489,745 | 489,745 | 556,255 | | 66,510 |
| Federal | 970,708 | 970,708 | 717,750 | | (252,958) |
| Total revenues | \$ 1,466,471 | \$ 1,466,471 | \$ 1,289,913 | \$ (176,558) | |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public safety | \$ - | \$ - | \$ - | \$ - | \$ - |
| Health and welfare | 2,109,985 | 2,109,985 | 1,873,055 | | 236,930 |
| Total expenditures | \$ 2,109,985 | \$ 2,109,985 | \$ 1,873,055 | \$ 236,930 | |
| Excess (deficiency) of revenues over (under) expenditures | \$ (643,514) | \$ (643,514) | \$ (583,142) | \$ 60,372 | |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | \$ 643,514 | \$ 643,514 | \$ 558,600 | \$ (84,914) | |
| Total other financing sources and uses | \$ 643,514 | \$ 643,514 | \$ 558,600 | \$ (84,914) | |
| Net change in fund balances | \$ - | \$ - | \$ (24,542) | \$ (24,542) | |
| Fund balances - beginning | - | - | 202,701 | | 202,701 |
| Fund balances - ending | \$ - | \$ - | \$ 178,159 | \$ 178,159 | |

Exhibit 15

Law Enforcement Block Grant Fund

| Budgeted Amounts | | Variance with Final Budget | |
|-------------------------|--------------|---------------------------------------|--------------------------------|
| Original | Final | Actual | Positive (Negative) |
| \$ - \$ | - \$ | 15 \$ | 15 |
| - | - | 270 | 270 |
| - | - | - | - |
| - | - | 2,434 | 2,434 |
| \$ - \$ | - \$ | 2,719 \$ | 2,719 |
| <hr/> | | | |
| \$ - \$ | - \$ | 2,706 \$ | (2,706) |
| - | - | - | - |
| \$ - \$ | - \$ | 2,706 \$ | (2,706) |
| <hr/> | | | |
| \$ - \$ | - \$ | 13 \$ | 13 |
| \$ - \$ | - \$ | - \$ | - \$ |
| \$ - \$ | - \$ | - \$ | - \$ |
| \$ - \$ | - \$ | 13 \$ | 13 |
| - | - | 4,653 | 4,653 |
| \$ - \$ | - \$ | 4,666 \$ | 4,666 |
| <hr/> | | | |

City of Williamsburg, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

| Agency Funds | | | | | | |
|-----------------------------|------------------------------|--|---------------------------|---------------------------------------|-----------------------------|---------------------|
| | Williamsburg | | | | | |
| | Regional Library Fund | Williamsburg Tricentennial Fund | Colonial CASA Fund | Economic Development Authority | Farmer's Market Fund | Total |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 210,845 | \$ - | \$ 13,739 | \$ 12,098 | \$ 18,517 | \$ 255,199 |
| Investments, at fair value: | | | | | | |
| Other investments | 872,814 | 6,362 | 60,934 | 145,669 | 55,390 | 1,141,169 |
| Total assets | <u>\$ 1,083,659</u> | <u>\$ 6,362</u> | <u>\$ 74,673</u> | <u>\$ 157,767</u> | <u>\$ 73,907</u> | <u>\$ 1,396,368</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 3,762 | \$ 2,689 | \$ 5,188 | \$ 11,639 |
| Amounts held for others | 1,083,659 | 6,362 | 70,911 | 155,078 | 68,719 | 1,384,729 |
| Total liabilities | <u>\$ 1,083,659</u> | <u>\$ 6,362</u> | <u>\$ 74,673</u> | <u>\$ 157,767</u> | <u>\$ 73,907</u> | <u>\$ 1,396,368</u> |

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008

Exhibit 17
Page 1 of 2

| | <u>Balance</u> | | | <u>Balance</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| | <u>Beginning</u> | | | <u>End</u> |
| | <u>of Year</u> | | | <u>of Year</u> |
| <u>Williamsburg Regional Library:</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 189,068 | \$ 6,473,346 | \$ 6,451,569 | \$ 210,845 |
| Investments, at fair value: | | | | |
| Other investments | 836,824 | 35,990 | - | 872,814 |
| Total assets | <u>\$ 1,025,892</u> | <u>\$ 6,509,336</u> | <u>\$ 6,451,569</u> | <u>\$ 1,083,659</u> |
| LIABILITIES | | | | |
| Amounts held for others | \$ 1,025,892 | \$ 6,509,336 | \$ 6,451,569 | \$ 1,083,659 |
| Total liabilities | <u>\$ 1,025,892</u> | <u>\$ 6,509,336</u> | <u>\$ 6,451,569</u> | <u>\$ 1,083,659</u> |
| <u>Williamsburg Tricentennial Fund:</u> | | | | |
| ASSETS | | | | |
| Investments, at fair value: | | | | |
| Other investments | \$ 6,102 | \$ 260 | \$ - | \$ 6,362 |
| Total assets | <u>\$ 6,102</u> | <u>\$ 260</u> | <u>\$ -</u> | <u>\$ 6,362</u> |
| LIABILITIES | | | | |
| Amounts held for others | \$ 6,102 | \$ 260 | \$ - | \$ 6,362 |
| Total liabilities | <u>\$ 6,102</u> | <u>\$ 260</u> | <u>\$ -</u> | <u>\$ 6,362</u> |
| <u>Colonial CASA Fund:</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 50,980 | \$ 173,523 | \$ 210,764 | \$ 13,739 |
| Investments, at fair value: | | | | |
| Other investments | - | 60,934 | - | 60,934 |
| Total assets | <u>\$ 50,980</u> | <u>\$ 234,457</u> | <u>\$ 210,764</u> | <u>\$ 74,673</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 5,575 | \$ 3,762 | \$ 5,575 | \$ 3,762 |
| Amounts held for others | 45,405 | 230,695 | 205,189 | 70,911 |
| Total liabilities | <u>\$ 50,980</u> | <u>\$ 234,457</u> | <u>\$ 210,764</u> | <u>\$ 74,673</u> |

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008

Exhibit 17
Page 2 of 2

| | Balance | | Balance |
|---|---------------------|---------------------|---------------------|
| | Beginning | | End |
| | of Year | Additions | Deletions |
| <u>Economic Development Authority:</u> | | | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 14,173 | \$ 35,951 | \$ 38,026 |
| Investments, at fair value: | | | |
| Other investments | 100,815 | 44,854 | - |
| Total assets | <u>\$ 114,988</u> | <u>\$ 80,805</u> | <u>\$ 38,026</u> |
| | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 909 | \$ 2,689 | \$ 909 |
| Amounts held for others | 114,079 | 78,116 | 37,117 |
| Total liabilities | <u>\$ 114,988</u> | <u>\$ 80,805</u> | <u>\$ 38,026</u> |
| | | | |
| <u>Farmers' Market:</u> | | | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 22,830 | \$ 72,896 | \$ 77,209 |
| Investments, at fair value: | | | |
| Other investments | 43,451 | 11,939 | - |
| Total assets | <u>\$ 66,281</u> | <u>\$ 84,835</u> | <u>\$ 77,209</u> |
| | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 1,902 | \$ 5,188 | \$ 1,902 |
| Amounts held for others | 64,379 | 79,647 | 75,307 |
| Total liabilities | <u>\$ 66,281</u> | <u>\$ 84,835</u> | <u>\$ 77,209</u> |
| | | | |
| <u>Totals - All Agency Funds:</u> | | | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 277,051 | \$ 6,755,716 | \$ 6,777,568 |
| Investments, at fair value: | | | |
| Other investments | 987,192 | 153,977 | - |
| Total assets | <u>\$ 1,264,243</u> | <u>\$ 6,909,693</u> | <u>\$ 6,777,568</u> |
| | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 8,386 | \$ 11,639 | \$ 8,386 |
| Amounts held for others | 1,255,857 | 6,898,054 | 6,769,182 |
| Total liabilities | <u>\$ 1,264,243</u> | <u>\$ 6,909,693</u> | <u>\$ 6,777,568</u> |
| | | | |

SUPPORTING SCHEDULES

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 1
Page 1 of 3

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget - Positive <u>(Negative)</u> |
|--|----------------------------|-------------------------|----------------------|--|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 9,150,000 | \$ 9,150,000 | \$ 9,737,885 | \$ 587,885 |
| Real and personal public service corporation taxes | 280,000 | 280,000 | 282,466 | 2,466 |
| Personal property taxes | 499,057 | 499,057 | 553,135 | 54,078 |
| Mobile home taxes | 3,200 | 3,200 | 2,929 | (271) |
| Business property taxes | 1,160,000 | 1,160,000 | 1,210,744 | 50,744 |
| Penalties | 25,000 | 25,000 | 38,024 | 13,024 |
| Interest | 18,000 | 18,000 | 19,094 | 1,094 |
| Total general property taxes | <u>\$ 11,135,257</u> | <u>\$ 11,135,257</u> | <u>\$ 11,844,277</u> | <u>\$ 709,020</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 4,400,000 | \$ 4,400,000 | \$ 4,562,028 | \$ 162,028 |
| Consumers' utility taxes | 1,012,000 | 1,012,000 | 1,107,790 | 95,790 |
| Business license taxes | 1,752,600 | 1,752,600 | 1,754,093 | 1,493 |
| Utility license taxes | 91,000 | 91,000 | 102,833 | 11,833 |
| Bank stock taxes | 170,000 | 170,000 | 156,853 | (13,147) |
| Taxes on recordation and wills | 200,000 | 200,000 | 326,508 | 126,508 |
| Hotel and motel taxes | 4,100,000 | 4,100,000 | 4,447,662 | 347,662 |
| Restaurant food taxes | 5,780,000 | 5,780,000 | 6,005,227 | 225,227 |
| \$2 lodging taxes | 1,800,000 | 1,800,000 | 1,625,774 | (174,226) |
| Tobacco taxes | 210,000 | 210,000 | 180,701 | (29,299) |
| Penalty and interest on other local taxes | 18,500 | 18,500 | 33,646 | 15,146 |
| Total other local taxes | <u>\$ 19,534,100</u> | <u>\$ 19,534,100</u> | <u>\$ 20,303,115</u> | <u>\$ 769,015</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 1,000 | \$ 1,000 | \$ 2,191 | \$ 1,191 |
| Land use application fees | 2,000 | 2,000 | 6,115 | 4,115 |
| Transfer fees | 300 | 300 | 1,348 | 1,048 |
| Permits and other licenses | 246,750 | 246,750 | 367,320 | 120,570 |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 250,050</u> | <u>\$ 250,050</u> | <u>\$ 376,974</u> | <u>\$ 126,924</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 242,000 | \$ 242,000 | \$ 241,302 | \$ (698) |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 950,000 | \$ 950,000 | \$ 1,209,815 | \$ 259,815 |
| Revenue from use of property | 509,700 | 509,700 | 555,970 | 46,270 |
| Total revenue from use of money and property | <u>\$ 1,459,700</u> | <u>\$ 1,459,700</u> | <u>\$ 1,765,785</u> | <u>\$ 306,085</u> |
| Charges for services: | | | | |
| Charges for law enforcement and traffic control | \$ 1,366 | \$ 1,366 | \$ 1,378 | \$ 12 |
| Charges for Commonwealth's Attorney | 500 | 500 | 160 | (340) |
| Charges for parks and recreation | 284,200 | 284,200 | 298,453 | 14,253 |
| Charges for planning and community development | 46,500 | 46,500 | 43,750 | (2,750) |
| Total charges for services | <u>\$ 332,566</u> | <u>\$ 332,566</u> | <u>\$ 343,741</u> | <u>\$ 11,175</u> |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 351,320 | \$ 342,320 | \$ 546,372 | \$ 204,052 |

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 1
Page 2 of 3

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Recovered costs: | | | | |
| Enterprise fund | \$ 550,000 | \$ 550,000 | \$ 591,576 | \$ 41,576 |
| Overtime - police and fire | 48,400 | 48,400 | 50,419 | 2,019 |
| Stormwater management | - | - | 47,936 | 47,936 |
| Other recovered costs | 70,070 | 70,070 | 70,070 | - |
| Total recovered costs | <u>\$ 668,470</u> | <u>\$ 668,470</u> | <u>\$ 760,001</u> | <u>\$ 91,531</u> |
| Total revenue from local sources | <u>\$ 33,973,463</u> | <u>\$ 33,964,463</u> | <u>\$ 36,181,567</u> | <u>\$ 2,217,104</u> |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| ABC profits | \$ 7,034 | \$ 7,034 | \$ 7,034 | \$ - |
| Wine taxes | 7,373 | 7,373 | 7,373 | - |
| Rolling stock tax | 6,000 | 6,000 | 7,883 | 1,883 |
| Motor vehicle rental tax | 8,000 | 8,000 | 24,777 | 16,777 |
| Grantors tax | 57,000 | 57,000 | 78,970 | 21,970 |
| Personal property tax relief funds | 697,943 | 697,943 | 773,572 | 75,629 |
| Total noncategorical aid | <u>\$ 783,350</u> | <u>\$ 783,350</u> | <u>\$ 899,609</u> | <u>\$ 116,259</u> |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commissioner of revenue | \$ 78,000 | \$ 78,000 | \$ 84,230 | \$ 6,230 |
| Treasurer | 23,000 | 23,000 | 22,677 | (323) |
| Medical examiner | 200 | 200 | - | (200) |
| Registrar/electoral board | 45,000 | 45,000 | 52,529 | 7,529 |
| Total shared expenses | <u>\$ 146,200</u> | <u>\$ 146,200</u> | <u>\$ 159,436</u> | <u>\$ 13,236</u> |
| Other categorical aid: | | | | |
| 599 Funds | \$ 452,364 | \$ 452,364 | \$ 443,843 | \$ (8,521) |
| Streets and sidewalks | 1,300,000 | 1,300,000 | 1,332,230 | 32,230 |
| EMS funds - 4 for life | 11,000 | 11,000 | 22,661 | 11,661 |
| Litter control grant | 5,000 | 5,000 | 6,508 | 1,508 |
| Arts commission grant | 5,000 | 5,000 | 5,000 | - |
| State school construction funds | 102,000 | 102,000 | 103,130 | 1,130 |
| Virginia department of transportation | - | - | 1,336,750 | 1,336,750 |
| Fire programs | 20,000 | 20,000 | 31,628 | 11,628 |
| Wireless E-911 | 10,000 | 10,000 | 40,379 | 30,379 |
| State sales tax | 790,000 | 790,000 | 717,848 | (72,152) |
| Other categorical aid | 145,000 | 164,000 | 20,305 | (143,695) |
| Total other categorical aid | <u>\$ 2,840,364</u> | <u>\$ 2,859,364</u> | <u>\$ 4,060,282</u> | <u>\$ 1,200,918</u> |
| Total categorical aid | <u>\$ 2,986,564</u> | <u>\$ 3,005,564</u> | <u>\$ 4,219,718</u> | <u>\$ 1,214,154</u> |
| Total revenue from the Commonwealth | <u>\$ 3,769,914</u> | <u>\$ 3,788,914</u> | <u>\$ 5,119,327</u> | <u>\$ 1,330,413</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Community development block grant | \$ - | \$ - | \$ 361,305 | \$ 361,305 |

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 1
Page 3 of 3

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|------------------------|----------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Revenue from the federal government: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Homeland security state grant | \$ - | \$ - | \$ 2,523 | \$ 2,523 |
| Total categorical aid | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 363,828</u> | <u>\$ 363,828</u> |
| Total revenue from the federal government | \$ - | \$ - | \$ 363,828 | \$ 363,828 |
| Total General Fund | <u>\$ 37,743,377</u> | <u>\$ 37,753,377</u> | <u>\$ 41,664,722</u> | <u>\$ 3,911,345</u> |
| Special Revenue Fund: | | | | |
| Virginia Public Assistance Fund: | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | \$ 6,018 | \$ 6,018 | \$ 15,908 | \$ 9,890 |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 325,145 | \$ 325,145 | \$ 393,929 | \$ 68,784 |
| Comprehensive services act | 164,600 | 164,600 | 122,326 | (42,274) |
| Total categorical aid | <u>\$ 489,745</u> | <u>\$ 489,745</u> | <u>\$ 556,255</u> | <u>\$ 66,510</u> |
| Total revenue from the Commonwealth | <u>\$ 489,745</u> | <u>\$ 489,745</u> | <u>\$ 556,255</u> | <u>\$ 66,510</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 970,708 | \$ 970,708 | \$ 717,750 | \$ (252,958) |
| Total Virginia Public Assistance Fund | <u>\$ 1,466,471</u> | <u>\$ 1,466,471</u> | <u>\$ 1,289,913</u> | <u>\$ (176,558)</u> |
| Law Enforcement Block Grant Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 15 | \$ 15 |
| Total revenue from use of money and property | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15</u> | <u>\$ 15</u> |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | \$ - | \$ - | \$ 270 | \$ 270 |
| Total revenue from local sources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 285</u> | <u>\$ 285</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Homeland security and law enforcement grants | \$ - | \$ - | \$ 2,434 | \$ 2,434 |
| Total revenue from the federal government | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,434</u> | <u>\$ 2,434</u> |
| Total Law Enforcement Block Grant | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,719</u> | <u>\$ 2,719</u> |
| Total Primary Government | <u>\$ 39,209,848</u> | <u>\$ 39,219,848</u> | <u>\$ 42,957,354</u> | <u>\$ 3,737,506</u> |

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 2
Page 1 of 3

| <u>Fund, Function, Activity and Elements</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget -</u> | | | |
|--|----------------------------|-------------------------|---------------------|---|--|--|--|
| | | | | <u>Positive (Negative)</u> | | | |
| General Fund: | | | | | | | |
| General government administration: | | | | | | | |
| Legislative: | | | | | | | |
| City council | \$ 153,338 | \$ 153,338 | \$ 133,336 | \$ 20,002 | | | |
| Clerk of council | 92,663 | 92,663 | 90,276 | 2,387 | | | |
| Total legislative | <u>\$ 246,001</u> | <u>\$ 246,001</u> | <u>\$ 223,612</u> | <u>\$ 22,389</u> | | | |
| General and financial administration: | | | | | | | |
| City manager | \$ 909,333 | \$ 909,333 | \$ 801,822 | \$ 107,511 | | | |
| City attorney | 268,645 | 268,645 | 262,731 | 5,914 | | | |
| Commissioner of revenue | 191,701 | 191,701 | 189,897 | 1,804 | | | |
| Assessor | 164,411 | 164,411 | 157,072 | 7,339 | | | |
| Treasurer | 52,323 | 52,323 | 44,130 | 8,193 | | | |
| Director of finance | 945,968 | 945,968 | 936,155 | 9,813 | | | |
| Automotive/motor pool | 231,932 | 231,932 | 210,123 | 21,809 | | | |
| Total general and financial administration | <u>\$ 2,764,313</u> | <u>\$ 2,764,313</u> | <u>\$ 2,601,930</u> | <u>\$ 162,383</u> | | | |
| Board of elections: | | | | | | | |
| Electoral board and officials | \$ 38,237 | \$ 38,237 | \$ 36,119 | \$ 2,118 | | | |
| Registrar | 95,590 | 95,590 | 95,135 | 455 | | | |
| Total board of elections | <u>\$ 133,827</u> | <u>\$ 133,827</u> | <u>\$ 131,254</u> | <u>\$ 2,573</u> | | | |
| Total general government administration | <u>\$ 3,144,141</u> | <u>\$ 3,144,141</u> | <u>\$ 2,956,796</u> | <u>\$ 187,345</u> | | | |
| Judicial administration: | | | | | | | |
| Courts: | | | | | | | |
| Courthouse activities | \$ 370,000 | \$ 370,000 | \$ 369,459 | \$ 541 | | | |
| Public safety: | | | | | | | |
| Law enforcement and traffic control: | | | | | | | |
| Police department | \$ 3,490,283 | \$ 3,490,283 | \$ 3,461,733 | \$ 28,550 | | | |
| Prince George parking garage | 127,021 | 127,021 | 111,499 | 15,522 | | | |
| E-911 | 716,289 | 716,289 | 675,341 | 40,948 | | | |
| Total law enforcement and traffic control | <u>\$ 4,333,593</u> | <u>\$ 4,333,593</u> | <u>\$ 4,248,573</u> | <u>\$ 85,020</u> | | | |
| Fire and rescue services: | | | | | | | |
| Fire department | <u>\$ 3,286,527</u> | <u>\$ 3,286,527</u> | <u>\$ 3,257,746</u> | <u>\$ 28,781</u> | | | |
| Correction and detention: | | | | | | | |
| Juvenile detention commission | \$ 140,000 | \$ 140,000 | \$ 65,420 | \$ 74,580 | | | |
| Regional jail | 935,810 | 935,810 | 905,525 | 30,285 | | | |
| Group home commission | 71,244 | 71,244 | 71,244 | - | | | |
| Total correction and detention | <u>\$ 1,147,054</u> | <u>\$ 1,147,054</u> | <u>\$ 1,042,189</u> | <u>\$ 104,865</u> | | | |
| Inspections: | | | | | | | |
| Building | <u>\$ 552,815</u> | <u>\$ 552,815</u> | <u>\$ 491,393</u> | <u>\$ 61,422</u> | | | |
| Other protection: | | | | | | | |
| Animal control | \$ 24,500 | \$ 24,500 | \$ 18,000 | \$ 6,500 | | | |
| Medical examiner | 400 | 400 | 200 | 200 | | | |
| Emergency services (civil defense) | 5,575 | 5,575 | 4,156 | 1,419 | | | |
| Total other protection | <u>\$ 30,475</u> | <u>\$ 30,475</u> | <u>\$ 22,356</u> | <u>\$ 8,119</u> | | | |
| Total public safety | <u>\$ 9,350,464</u> | <u>\$ 9,350,464</u> | <u>\$ 9,062,257</u> | <u>\$ 288,207</u> | | | |

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 2
Page 2 of 3

| <u>Fund, Function, Activity and Elements</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|-------------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Public works: | | | | |
| Maintenance of highways, streets, bridges & sidewalks: | | | | |
| Highways, streets, bridges and sidewalks | \$ 1,590,355 | \$ 1,590,355 | \$ 1,066,931 | \$ 523,424 |
| Engineering | 245,103 | 245,103 | 239,676 | 5,427 |
| Total maintenance of highways, streets, bridges & sidewalks | <u>\$ 1,835,458</u> | <u>\$ 1,835,458</u> | <u>\$ 1,306,607</u> | <u>\$ 528,851</u> |
| Sanitation and waste removal: | | | | |
| Refuse collection | \$ 881,200 | \$ 881,200 | \$ 864,801 | \$ 16,399 |
| Maintenance of general buildings and grounds: | | | | |
| Maintenance of general buildings and grounds | \$ 466,364 | \$ 466,364 | \$ 464,173 | \$ 2,191 |
| Rental properties | 13,420 | 13,420 | 5,100 | 8,320 |
| Landscaping | 571,033 | 571,033 | 511,227 | 59,806 |
| Information technology | 448,260 | 448,260 | 427,394 | 20,866 |
| Total maintenance of general buildings and grounds | <u>\$ 1,499,077</u> | <u>\$ 1,499,077</u> | <u>\$ 1,407,894</u> | <u>\$ 91,183</u> |
| Total public works | <u>\$ 4,215,735</u> | <u>\$ 4,215,735</u> | <u>\$ 3,579,302</u> | <u>\$ 636,433</u> |
| Health and welfare: | | | | |
| Health: | | | | |
| Local health department | \$ 238,713 | \$ 238,713 | \$ 236,809 | \$ 1,904 |
| Mosquito control | 7,950 | 7,950 | 5,044 | 2,906 |
| Total health | <u>\$ 246,663</u> | <u>\$ 246,663</u> | <u>\$ 241,853</u> | <u>\$ 4,810</u> |
| Mental health and mental retardation: | | | | |
| Administration - mental health and mental retardation | <u>\$ 232,000</u> | <u>\$ 232,000</u> | <u>\$ 232,000</u> | <u>\$ -</u> |
| Welfare: | | | | |
| Public assistance | \$ 40,000 | \$ 40,000 | \$ 42,169 | \$ (2,169) |
| Transportation programs for elderly | 3,500 | 3,500 | 1,985 | 1,515 |
| Total welfare | <u>\$ 43,500</u> | <u>\$ 43,500</u> | <u>\$ 44,154</u> | <u>\$ (654)</u> |
| Total health and welfare | <u>\$ 522,163</u> | <u>\$ 522,163</u> | <u>\$ 518,007</u> | <u>\$ 4,156</u> |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to local school board | <u>\$ 7,135,658</u> | <u>\$ 7,135,658</u> | <u>\$ 7,135,650</u> | <u>\$ 8</u> |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Supervision of parks and recreation | \$ 445,024 | \$ 445,024 | \$ 430,049 | \$ 14,975 |
| Maintenance of parks and recreation | 249,552 | 249,552 | 247,385 | 2,167 |
| Recreation facility | 680,730 | 680,730 | 659,610 | 21,120 |
| Cemeteries | 57,509 | 57,509 | 55,570 | 1,939 |
| Total parks and recreation | <u>\$ 1,432,815</u> | <u>\$ 1,432,815</u> | <u>\$ 1,392,614</u> | <u>\$ 40,201</u> |
| Library: | | | | |
| Contribution to regional library | <u>\$ 894,955</u> | <u>\$ 894,955</u> | <u>\$ 884,955</u> | <u>\$ 10,000</u> |
| Total parks, recreation, and cultural | <u>\$ 2,327,770</u> | <u>\$ 2,327,770</u> | <u>\$ 2,277,569</u> | <u>\$ 50,201</u> |

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 2
Page 3 of 3

| <u>Fund, Function, Activity and Elements</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget -</u> <u>Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning | \$ 525,663 | \$ 525,663 | \$ 498,830 | \$ 26,833 |
| Community development | 4,699,812 | 4,699,812 | 4,524,423 | 175,389 |
| Economic development | 120,028 | 120,028 | 118,997 | 1,031 |
| Other community development | - | - | 361,305 | (361,305) |
| Arts commission | 159,140 | 159,140 | 158,970 | 170 |
| Total planning and community development | <u>\$ 5,504,643</u> | <u>\$ 5,504,643</u> | <u>\$ 5,662,525</u> | <u>\$ (157,882)</u> |
| Total community development | <u>\$ 5,504,643</u> | <u>\$ 5,504,643</u> | <u>\$ 5,662,525</u> | <u>\$ (157,882)</u> |
| Capital projects: | | | | |
| Other capital projects | <u>\$ 14,448,721</u> | <u>\$ 14,448,721</u> | <u>\$ 7,809,941</u> | <u>\$ 6,638,780</u> |
| Debt service: | | | | |
| Principal retirement | \$ 2,314,249 | \$ 2,314,249 | \$ 2,314,249 | \$ - |
| Interest and other fiscal charges | 486,225 | 486,225 | 477,006 | 9,219 |
| Total debt service | <u>\$ 2,800,474</u> | <u>\$ 2,800,474</u> | <u>\$ 2,791,255</u> | <u>\$ 9,219</u> |
| Total General Fund | <u>\$ 49,819,769</u> | <u>\$ 49,819,769</u> | <u>\$ 42,162,761</u> | <u>\$ 7,657,008</u> |
| Special Revenue Funds: | | | | |
| Virginia Public Assistance Fund: | | | | |
| Health and welfare: | | | | |
| Welfare and social services: | | | | |
| Welfare administration | \$ 1,190,395 | \$ 1,190,395 | \$ 1,039,251 | \$ 151,144 |
| Public assistance | 754,990 | 754,990 | 534,941 | 220,049 |
| Comprehensive services | 164,600 | 164,600 | 286,760 | (122,160) |
| Other welfare and social services | - | - | 12,103 | (12,103) |
| Total welfare and social services | <u>\$ 2,109,985</u> | <u>\$ 2,109,985</u> | <u>\$ 1,873,055</u> | <u>\$ 236,930</u> |
| Total health and welfare | <u>\$ 2,109,985</u> | <u>\$ 2,109,985</u> | <u>\$ 1,873,055</u> | <u>\$ 236,930</u> |
| Total Virginia Public Assistance Fund | <u>\$ 2,109,985</u> | <u>\$ 2,109,985</u> | <u>\$ 1,873,055</u> | <u>\$ 236,930</u> |
| Law Enforcement Block Grant Fund: | | | | |
| Public safety: | | | | |
| Other protection: | | | | |
| Other protection | \$ - | \$ - | \$ 2,706 | \$ (2,706) |
| Total Law Enforcement Block Grant Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,706</u> | <u>\$ (2,706)</u> |
| Total Primary Government | <u>\$ 51,929,754</u> | <u>\$ 51,929,754</u> | <u>\$ 44,038,522</u> | <u>\$ 7,891,232</u> |

Statistical Section

| <u>Contents</u> | <u>Tables</u> |
|--|---------------|
| Financial Trends These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time. | 1 - 4 |
| Revenue Capacity These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes. | 5 - 9 |
| Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future. | 10 - 12 |
| Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. | 13-14 |
| Operating Information These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relate to the services the City provides and the activities it performs. | 15-17 |

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

Table 1

City of Williamsburg, Virginia
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Governmental activities | | | | | | |
| Invested in capital assets, net of related debt | \$43,829,109 | \$48,294,124 | \$41,977,081 | \$43,724,093 | \$49,783,173 | \$55,591,451 |
| Unrestricted | 22,305,527 | 20,819,991 | 30,578,146 | 32,119,103 | 29,632,342 | 28,455,299 |
| Total governmental activities net assets | \$66,134,636 | \$69,114,115 | \$72,555,227 | \$75,843,196 | \$79,415,515 | \$84,046,750 |
| Business-type activities | | | | | | |
| Invested in capital assets, net of related debt | \$8,525,848 | \$8,755,781 | \$9,720,452 | \$9,781,412 | \$12,764,785 | \$13,102,740 |
| Unrestricted | 4,916,024 | 5,790,053 | 5,143,153 | 5,454,407 | 5,466,158 | 6,466,848 |
| Total business-type activities net assets | \$13,441,872 | \$14,545,834 | \$14,863,605 | \$15,235,819 | \$18,230,943 | \$19,569,588 |
| Primary government | | | | | | |
| Invested in capital assets, net of related debt | \$52,354,957 | \$57,049,905 | \$51,697,533 | \$53,505,505 | \$62,547,958 | \$68,694,191 |
| Unrestricted | 27,221,551 | 26,610,044 | 35,721,299 | 37,573,510 | 35,098,500 | 34,922,147 |
| Total primary government net assets | \$79,576,508 | \$83,659,949 | \$87,418,832 | \$91,079,015 | \$97,646,458 | \$103,616,338 |

Table 2
Page 1 of 2

City of Williamsburg, Virginia
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Expenses | | | | | | |
| Governmental activities: | | | | | | |
| General government administration | \$2,758,568 | \$2,950,481 | \$3,196,039 | \$3,989,006 | \$3,556,882 | \$3,925,496 |
| Judicial administration | 273,154 | 293,222 | 308,361 | 356,257 | 379,945 | 369,459 |
| Public safety | 6,563,142 | 6,933,837 | 7,475,819 | 8,011,476 | 8,840,146 | 9,410,409 |
| Public works | 3,765,655 | 4,959,412 | 4,110,492 | 3,007,234 | 7,196,599 | 4,504,611 |
| Health and welfare | 1,809,216 | 1,991,478 | 2,065,153 | 2,180,922 | 2,176,382 | 2,415,272 |
| Education | 6,583,596 | 6,822,656 | 6,267,967 | 6,437,154 | 7,044,990 | 8,446,319 |
| Parks, recreation and cultural | 2,071,236 | 2,094,830 | 2,179,626 | 2,138,010 | 2,170,492 | 2,275,707 |
| Community development | 3,135,821 | 3,259,276 | 4,853,168 | 9,168,959 | 5,328,651 | 5,694,235 |
| Nondepartmental | 46,163 | 127,858 | 17,349 | - | - | - |
| Interest expense | 361,125 | 352,333 | 396,211 | 592,688 | 551,307 | 467,896 |
| Total governmental activities expenses | <u>\$27,367,676</u> | <u>\$29,785,383</u> | <u>\$30,870,185</u> | <u>\$35,881,706</u> | <u>\$37,245,394</u> | <u>\$37,509,404</u> |
| Business-type activities: | | | | | | |
| Water and sewer services | \$4,098,596 | \$3,838,917 | \$3,983,571 | \$4,230,185 | \$4,569,446 | \$4,769,797 |
| Total business-type activities expenses | <u>4,098,596</u> | <u>3,838,917</u> | <u>3,983,571</u> | <u>4,230,185</u> | <u>4,569,446</u> | <u>4,769,797</u> |
| Total primary government expenses | <u><u>\$31,466,272</u></u> | <u><u>\$33,624,300</u></u> | <u><u>\$34,853,756</u></u> | <u><u>\$40,111,891</u></u> | <u><u>\$41,814,840</u></u> | <u><u>\$42,279,201</u></u> |
| Program Revenues | | | | | | |
| Governmental activities: | | | | | | |
| Charges for services: | | | | | | |
| General government administration* | \$862,919 | \$1,027,386 | \$1,228,597 | \$ - | \$ - | \$ - |
| Judicial administration | - | - | - | 142,321 | 155,924 | 140,559 |
| Public safety | 508,864 | 559,545 | 582,729 | 364,959 | 328,194 | 479,255 |
| Public works | 12,071 | 50,199 | 11,403 | - | - | - |
| Parks, recreation and cultural | 297,674 | 270,705 | 316,991 | 302,835 | 338,754 | 298,453 |
| Community development | 51,694 | 59,418 | 58,428 | 56,566 | 36,073 | 43,750 |
| Operating grants and contributions | 3,307,596 | 4,808,926 | 3,718,194 | 5,224,480 | 4,161,505 | 3,999,026 |
| Capital grants and contributions | 102,974 | 102,924 | 102,922 | 176,937 | 266,087 | 464,435 |
| Total governmental activities program revenues | <u>\$5,143,792</u> | <u>\$6,879,103</u> | <u>\$6,019,264</u> | <u>\$6,268,098</u> | <u>\$5,286,537</u> | <u>\$5,425,478</u> |
| Business-type activities: | | | | | | |
| Charges for services: | | | | | | |
| Water and sewer | \$4,721,388 | \$4,890,679 | \$4,195,671 | \$4,379,515 | \$4,628,958 | \$5,751,177 |
| Total business-type activities program revenues | <u>4,721,388</u> | <u>4,890,679</u> | <u>4,195,671</u> | <u>4,379,515</u> | <u>4,628,958</u> | <u>5,751,177</u> |
| Total primary government program revenues | <u><u>\$9,865,180</u></u> | <u><u>\$11,769,782</u></u> | <u><u>\$10,214,935</u></u> | <u><u>\$10,647,613</u></u> | <u><u>\$9,915,495</u></u> | <u><u>\$11,176,655</u></u> |

* Beginning in FY 2006 use of property and miscellaneous income are not reported under the program revenues of General government administration.

Table 2
Page 2 of 2

City of Williamsburg, Virginia
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | |
|---|--------------------|----------------|----------------|----------------|----------------|----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Net (Expense)/Revenue | | | | | | |
| Governmental activities | (\$22,223,884) | (\$22,906,280) | (\$24,850,921) | (\$29,613,608) | (\$31,958,857) | (\$32,083,926) |
| Business-type activities | 622,792 | 1,051,762 | 212,100 | 149,330 | 59,512 | 981,380 |
| Total primary government net expense | (\$21,601,092) | (\$21,854,518) | (\$24,638,821) | (\$29,464,278) | (\$31,899,345) | (\$31,102,546) |
| General Revenues and Other Changes in Net Assets | | | | | | |
| Governmental activities: | | | | | | |
| Taxes | | | | | | |
| General property taxes | \$6,896,200 | \$7,574,245 | \$7,944,010 | \$8,250,312 | \$9,281,349 | \$10,576,818 |
| Local sales and use taxes | 3,818,105 | 4,240,721 | 4,219,603 | 4,303,203 | 4,867,792 | 4,562,028 |
| Business property taxes | 1,279,076 | 1,254,363 | 1,259,291 | 1,143,727 | 1,130,964 | 1,210,744 |
| Consumers' utility taxes | 665,980 | 684,702 | 1,062,031 | 451,524 | 700,691 | 1,107,790 |
| Business license taxes | 1,655,221 | 1,639,065 | 1,757,085 | 1,789,386 | 1,593,478 | 1,754,093 |
| Hotel and motel taxes | 3,974,894 | 3,996,782 | 3,695,937 | 3,787,611 | 4,350,871 | 4,447,662 |
| \$2 lodging taxes | - | - | 1,582,047 | 1,595,664 | 1,672,720 | 1,625,774 |
| Restaurant food taxes | 5,262,677 | 5,420,516 | 5,394,509 | 5,600,162 | 5,851,680 | 6,005,227 |
| Other local taxes | 573,598 | 110,107 | 910,932 | 1,457,982 | 1,096,618 | 800,542 |
| Use of Money & Property | 472,859 | 965,258 | 465,369 | 1,382,832 | 2,156,025 | 1,765,800 |
| Gain on sale of capital assets | 37,204 | - | 1,220 | 1,082,095 | 1,348,618 | - |
| Grants and contributions not restricted to specific programs | - | - | - | 929,240 | 879,936 | 899,609 |
| Miscellaneous | - | - | - | 660,148 | 600,434 | 1,959,074 |
| Total governmental activities | \$24,635,814 | \$25,885,759 | \$28,292,034 | \$32,433,886 | \$35,531,176 | \$36,715,161 |
| Business-type activities: | | | | | | |
| Investment earnings | \$70,407 | \$52,200 | \$105,671 | \$202,622 | \$253,915 | \$209,655 |
| Gain on sale of capital assets | - | - | - | - | 2,677,383 | - |
| Miscellaneous | - | - | - | 35,517 | 4,314 | 147,610 |
| Total business-type activities | 70,407 | 52,200 | 105,671 | 238,139 | 2,935,612 | 357,265 |
| Total primary government | \$24,706,221 | \$25,937,959 | \$28,397,705 | \$32,672,025 | \$38,466,788 | \$37,072,426 |
| Change in Net Assets | | | | | | |
| Governmental activities | \$2,411,930 | \$2,979,479 | \$3,441,113 | \$2,820,278 | \$3,572,319 | \$4,631,235 |
| Business-type activities | 693,199 | 1,103,962 | 317,771 | 387,469 | 2,995,124 | 1,338,645 |
| Total primary government | \$3,105,129 | \$4,083,441 | \$3,758,884 | \$3,207,747 | \$6,567,443 | \$5,969,880 |

City of Williamsburg, Virginia
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| General Fund | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 543,605 | \$ 548,702 | \$ 554,282 |
| Unreserved | <u>13,207,887</u> | <u>14,932,925</u> | <u>17,303,413</u> | <u>25,927,029</u> | <u>22,360,336</u> | <u>20,886,657</u> | <u>30,616,683</u> | <u>31,982,623</u> | <u>29,509,734</u> | <u>28,447,515</u> |
| Total general fund | <u>\$13,207,887</u> | <u>\$14,932,925</u> | <u>\$17,303,413</u> | <u>\$25,927,029</u> | <u>\$22,360,336</u> | <u>\$20,886,657</u> | <u>\$30,616,683</u> | <u>\$32,526,228</u> | <u>\$30,058,436</u> | <u>\$29,001,797</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | <u>\$ 180,070</u> | <u>\$ 129,187</u> | <u>\$ 117,577</u> | <u>\$ 225,323</u> | <u>\$ 162,486</u> | <u>\$ 141,922</u> | <u>\$ 131,239</u> | <u>\$ 210,575</u> | <u>\$ 207,354</u> | <u>\$ 182,825</u> |
| Total all other governmental funds | <u>\$ 180,070</u> | <u>\$ 129,187</u> | <u>\$ 117,577</u> | <u>\$ 225,323</u> | <u>\$ 162,486</u> | <u>\$ 141,922</u> | <u>\$ 131,239</u> | <u>\$ 210,575</u> | <u>\$ 207,354</u> | <u>\$ 182,825</u> |

City of Williamsburg, Virginia
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4
Page 1 of 2

| | Fiscal Year | | | | | | | | | |
|--|--------------------|---------------|---------------|---------------|----------------|----------------|---------------|----------------|----------------|----------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Revenues | | | | | | | | | | |
| Taxes | \$20,513,619 | \$22,253,679 | \$22,529,334 | \$24,083,697 | \$23,993,013 | \$25,624,343 | \$27,748,415 | \$28,194,199 | \$30,590,846 | \$32,147,392 |
| Licenses, fees, and permits | 181,131 | 163,291 | 267,047 | 173,985 | 212,618 | 305,762 | 256,662 | 275,741 | 200,897 | 376,974 |
| Fines and penalties | 277,745 | 238,003 | 253,578 | 282,664 | 273,584 | 254,706 | 234,157 | 229,779 | 281,612 | 241,302 |
| Interest earnings | 825,655 | 726,379 | 987,325 | 877,741 | 509,695 | 154,762 | 464,761 | 931,410 | 1,600,447 | 1,765,800 |
| Charges for services | 315,841 | 334,812 | 319,808 | 341,113 | 345,348 | 317,845 | 365,026 | 361,161 | 376,435 | 343,741 |
| Intergovernmental | 2,109,082 | 2,206,669 | 2,224,003 | 2,211,804 | 2,306,054 | 3,654,043 | 2,603,923 | 5,072,198 | 4,042,460 | 6,759,594 |
| Other revenues | 578,475 | 984,039 | 1,117,931 | 1,152,182 | 1,027,827 | 1,117,425 | 1,334,780 | 1,798,505 | 3,584,046 | 1,322,551 |
| Total revenues | \$ 24,801,548 | \$ 26,906,872 | \$ 27,699,026 | \$ 29,123,186 | \$ 28,668,139 | \$ 31,428,886 | \$ 33,007,724 | \$ 36,862,993 | \$ 40,676,743 | \$ 42,957,354 |
| Expenditures | | | | | | | | | | |
| General government | \$2,078,313 | \$1,899,725 | \$1,932,875 | \$1,952,376 | \$2,040,718 | \$2,172,065 | \$2,290,766 | \$2,636,419 | \$2,615,827 | \$2,956,796 |
| Judicial | 187,551 | 365,171 | 275,310 | 293,703 | 273,154 | 293,222 | 308,361 | 356,257 | 379,945 | 369,459 |
| Police | 2,424,243 | 2,639,281 | 2,733,728 | 2,850,557 | 2,861,260 | 3,072,285 | 3,499,854 | 3,541,289 | 4,034,064 | 4,251,279 |
| Fire | 1,830,578 | 1,965,668 | 2,114,910 | 2,150,348 | 2,216,034 | 2,335,061 | 2,531,801 | 2,741,472 | 3,064,526 | 3,257,746 |
| Other public safety | 884,229 | 926,642 | 842,889 | 969,896 | 1,135,888 | 1,182,040 | 1,274,946 | 1,494,849 | 1,502,298 | 1,555,938 |
| Public works | 2,377,712 | 2,807,153 | 2,902,339 | 3,078,356 | 2,853,272 | 4,454,010 | 3,628,476 | 3,636,448 | 3,847,395 | 3,579,302 |
| Health and welfare | 325,637 | 338,187 | 365,523 | 372,417 | 381,610 | 400,239 | 418,312 | 450,930 | 473,142 | 2,391,062 |
| Education | 5,640,109 | 5,809,163 | 6,496,149 | 6,763,889 | 6,518,691 | 6,734,071 | 6,267,967 | 6,437,154 | 6,493,421 | 7,135,650 |
| Parks and recreation | 972,978 | 982,119 | 1,012,865 | 1,069,304 | 1,137,105 | 1,169,003 | 1,254,125 | 1,242,389 | 1,284,977 | 1,392,614 |
| Library | 544,720 | 657,211 | 616,281 | 739,744 | 758,674 | 752,197 | 771,595 | 796,580 | 861,030 | 884,955 |
| Community Development - Note a | 1,940,397 | 2,786,386 | 2,846,217 | 2,898,086 | 2,932,800 | 2,989,506 | 4,852,663 | 4,908,287 | 5,348,425 | 5,662,525 |
| Non-departmental | 77,548 | 8,085 | 6,210 | 97,680 | 68,644 | 137,351 | 33,349 | - | - | - |
| Capital projects | 9,061,435 | 2,623,501 | 2,288,580 | 3,192,642 | 7,582,378 | 5,818,262 | 3,030,777 | 5,774,358 | 12,492,119 | 7,809,941 |
| Debt Service: | | | | | | | | | | |
| Principal | 788,000 | 788,000 | 788,000 | 788,000 | 908,000 | 5,413,000 | 918,000 | 5,872,179 | 992,425 | 2,314,249 |
| Interest | 329,230 | 345,542 | 323,094 | 290,907 | 361,125 | 352,333 | 437,444 | 505,332 | 554,257 | 477,006 |
| Total expenditures | \$ 29,462,680 | \$ 24,941,834 | \$ 25,544,970 | \$ 27,507,905 | \$ 32,029,353 | \$ 37,274,645 | \$ 31,518,436 | \$ 40,393,943 | \$ 43,943,851 | \$ 44,038,522 |
| Excess of revenues over (under) expenditures | \$ (4,661,132) | \$ 1,965,038 | \$ 2,154,056 | \$ 1,615,281 | \$ (3,361,214) | \$ (5,845,759) | \$ 1,489,288 | \$ (3,530,950) | \$ (3,267,108) | \$ (1,081,168) |

Table 4
Page 2 of 2

City of Williamsburg, Virginia
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|----------------|--------------|--------------|--------------|----------------|----------------|--------------|--------------|----------------|----------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Bonds issued | \$ - | \$ - | \$ - | \$ 7,000,000 | \$ - | \$ - | \$ 8,500,000 | \$ - | \$ - | \$ - |
| Refunding bonds issued | - | - | - | - | - | 4,500,000 | - | - | - | - |
| Disposal of capital asset | - | - | - | - | - | - | 12,975 | - | - | - |
| Sale of capital assets | 102,100 | - | 503,109 | 304,335 | 123,329 | 200,000 | - | 5,068,073 | 1,354,316 | - |
| Capital leases | - | - | - | - | - | - | 51,928 | - | - | - |
| Transfers in | 239,109 | - | - | - | - | 32,080 | 160,835 | - | - | 558,600 |
| Transfers out | (190,000) | (240,000) | (338,473) | (296,000) | (328,808) | (360,000) | (485,000) | (543,284) | (555,000) | (558,600) |
| Total other financing sources (uses) | \$ 151,209 | \$ (240,000) | \$ 164,636 | \$ 7,008,335 | \$ (205,479) | \$ 4,372,080 | \$ 8,240,738 | \$ 4,524,789 | \$ 799,316 | \$ - |
| Net change in fund balances | \$ (4,509,923) | \$ 1,725,038 | \$ 2,318,692 | \$ 8,623,616 | \$ (3,566,693) | \$ (1,473,679) | \$ 9,730,026 | \$ 993,839 | \$ (2,467,792) | \$ (1,081,168) |
| Debt service as a percentage of noncapital expenditures | 5.79% | 5.35% | 5.02% | 4.64% | 5.48% | 22.44% | 5.00% | 22.58% | 5.17% | 8.35% |

Note a: Beginning in FY 2004 the \$2 per night lodging tax (all passed thru to the Williamsburg Area Destination Marketing Committee) was initiated.

Table 5

City of Williamsburg, Virginia
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| Fiscal Year | Property ² | 1% Sales & Use | | Consumers' Utility ¹ | Business License | Utility License/ Franchise ³ | | Tobacco | Hotel & Motel | \$2 Lodging | Restaurant Food | Other | Total |
|--------------------|------------------------------|---------------------------|------------|--|-------------------------|--|--------------|----------------|--------------------------|--------------------|------------------------|--------------|--------------|
| | | | | | | | | | | | | | |
| 1999 | \$ 6,463,440 | \$ 3,673,944 | \$ 439,511 | \$ 1,464,810 | \$ 163,701 | - | \$ 3,673,349 | - | \$ 4,364,758 | \$ 270,106 | \$ 20,513,619 | | |
| 2000 | 6,829,694 | 3,782,864 | 473,066 | 1,535,238 | 180,902 | - | 4,097,054 | - | 5,075,742 | 279,119 | 22,253,679 | | |
| 2001 | 7,140,860 | 3,720,937 | 505,987 | 1,592,792 | 216,307 | - | 3,895,420 | - | 5,114,515 | 342,516 | 22,529,334 | | |
| 2002 | 7,577,391 | 4,368,379 | 589,089 | 1,622,735 | 194,633 | - | 4,114,010 | - | 5,318,886 | 298,574 | 24,083,697 | | |
| 2003 | 8,210,667 | 3,781,232 | 665,980 | 1,641,721 | 202,360 | - | 3,974,894 | - | 5,244,106 | 272,053 | 23,993,013 | | |
| 2004 | 8,869,569 | 4,210,450 | 684,702 | 1,628,458 | 225,716 | 305,729 | 3,996,782 | - | 5,393,776 | 309,161 | 25,624,343 | | |
| 2005 | 9,241,737 | 4,219,603 | 1,062,031 | 1,749,413 | 235,196 | 209,340 | 3,695,937 | 1,582,047 | 5,367,745 | 385,366 | 27,748,415 | | |
| 2006 | 10,039,498 | 4,303,203 | 886,388 | 1,789,386 | 250,762 | 184,080 | 3,787,611 | 1,595,664 | 5,600,162 | 640,764 | 29,077,518 | | |
| 2007 | 11,233,048 | 4,867,792 | 902,550 | 1,593,478 | 171,746 | 172,872 | 4,350,871 | 1,672,720 | 5,851,680 | 550,141 | 31,366,898 | | |
| 2008 | 12,617,849 | 4,562,028 | 1,107,790 | 1,754,093 | 102,833 | 180,701 | 4,447,662 | 1,625,774 | 6,005,227 | 517,007 | 32,920,964 | | |

¹ Wireless telecommunication taxes were initiated in FY 2004 - Significant delinquent telecommunications taxes were received in FY 2005 due to issues relating to jurisdiction identification by telephone companies.

² For comparison with prior years, property tax revenues FY 2006 and beyond include Personal Property Tax Relief Act receipts reclassified beginning in FY 2006 as State funds.

³ Effective January 1, 2007 Cable Franchise fees included in Consumer Utility taxes.

**City of Williamsburg, Virginia
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Table 6

| Fiscal Year | Real Property | | Personal Property | | | Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate* |
|--------------------|-----------------------------|--|-----------------------------------|---------------|----------------|---------------------------------------|-------------------------------------|-------------------------------|
| | Residential Property | Commercial Property¹ | Motor Vehicles² | Other | | | | |
| 1999 | \$ 436,450,300 | \$ 728,174,300 | \$ 24,737,810 | \$ 31,587,690 | \$ 371,983,400 | \$ 848,966,700 | 4.04 | |
| 2000 | 436,041,000 | 755,666,400 | 25,016,515 | 33,013,315 | 375,706,400 | 874,030,830 | 4.04 | |
| 2001 | 465,605,100 | 775,000,400 | 28,216,550 | 35,481,423 | 377,238,400 | 927,065,073 | 4.04 | |
| 2002 | 493,696,625 | 803,185,980 | 29,397,420 | 37,446,864 | 388,880,280 | 974,846,609 | 4.04 | |
| 2003 | 543,061,000 | 854,851,000 | 30,756,020 | 37,476,509 | 402,276,700 | 1,063,867,829 | 4.04 | |
| 2004 | 670,963,900 | 897,611,400 | 31,817,660 | 36,817,378 | 451,149,200 | 1,186,061,138 | 4.04 | |
| 2005 | 736,951,300 | 918,939,700 | 30,793,980 | 36,827,600 | 453,198,400 | 1,270,314,180 | 4.04 | |
| 2006 | 872,835,500 | 960,854,400 | 35,607,452 | 38,600,378 | 494,984,900 | 1,412,912,830 | 4.04 | |
| 2007 | 1,021,043,000 | 1,020,298,800 | 36,612,408 | 34,390,362 | 493,690,200 | 1,618,654,370 | 4.04 | |
| 2008 | 1,139,635,400 | 1,196,545,300 | 35,958,080 | 36,179,761 | 532,941,500 | 1,875,377,041 | 4.04 | |

Source: City of Williamsburg Assessor's Office, Commissioner of the Revenue

* Real Estate tax rate was \$.54/\$100, and personal property tax rate was \$3.50/\$100 since 1991.

¹ Includes tax-exempt property.

² Motor vehicles are assessed at NADA average loan value as of January 1st each year.

Note: Real property in the City of Williamsburg is reassessed every year. Code of Virginia § 58.1-3201 requires that annual assessments of real estate shall be made at 100 percent fair market value. A significant time delay (up to 2 years) is inherent in the annual appraisal process due to continuous sales of like-properties in the City. Recent periods of high-volume sales and rising property values can widen the gap between City assessed values and market values; therefore the estimated actual value of real property in the City is not known.

**City of Williamsburg, Virginia
Direct Tax Rates
Last Ten Fiscal Years**

Table 7

| Fiscal Year Ended June 30, | Real Estate Tax¹ | Personal Property Tax¹ | Room Tax² | Meal Tax² | Retail Sales Tax³ |
|---------------------------------------|------------------------------------|--|-----------------------------|-----------------------------|---|
| 1999 | \$0.54 | \$3.50 | 5% | 5% | 1% |
| 2000 | \$0.54 | \$3.50 | 5% | 5% | 1% |
| 2001 | \$0.54 | \$3.50 | 5% | 5% | 1% |
| 2002 | \$0.54 | \$3.50 | 5% | 5% | 1% |
| 2003 | \$0.54 | \$3.50 | 5% | 5% | 1% |
| 2004 | \$0.54 | \$3.50 | 5% | 5% | 1% |
| 2005 | \$0.54 | \$3.50 | 5% | 5% | 1% |
| 2006 | \$0.54 | \$3.50 | 5% | 5% | 1% |
| 2007 | \$0.54 | \$3.50 | 5% | 5% | 1% |
| 2008 | \$0.54 | \$3.50 | 5% | 5% | 1% |

¹ Per \$100 assessed value.

² Room & Meal tax rates increased to 5% effective January 1, 1999.

³ Collected by the State, remitted monthly to the City.

The City of Williamsburg has no overlapping taxes.

**City of Williamsburg, Virginia
Principal Real Estate Property Taxpayers
Current Year and Nine Years Ago**

Table 8

| Taxpayers | 1999 | | | 2008 | | |
|----------------------------------|---------------------------------------|-------------|--|---------------------------------------|-------------|--|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| | | | | | | |
| Colonial Williamsburg Foundation | 182,690,700 | 1 | 22.77% | 272,787,400 | 1 | 15.13% |
| Art Williamsburg | 13,802,300 | 2 | 1.72% | | | |
| Williamsburg Hotel LLC | 11,138,800 | 3 | 1.39% | | | |
| Federal Realty Investment Trust | 10,174,300 | 4 | 1.27% | | | |
| Woodshire, LTD | 6,312,100 | 5 | 0.79% | 9,710,100 | 10 | 0.54% |
| Patrick Henry Inn | 6,011,200 | 6 | 0.75% | | | |
| PVR Associates LLC | 5,610,700 | 7 | 0.70% | | | |
| Phillip Richardson Co. | 5,601,900 | 8 | 0.70% | | | |
| GMRI, INC | 5,400,000 | 9 | 0.67% | | | |
| Haughwout, Virginia Est | 5,370,000 | 10 | 0.67% | | | |
| Westgate Resorts Ltd. | | | | 26,140,300 | 2 | 1.45% |
| Riverside Healthcare Association | | | | 22,181,700 | 3 | 1.23% |
| King James Group LLC | | | | 18,382,800 | 4 | 1.02% |
| BlueGreen Vacations Unlimited | | | | 17,348,500 | 5 | 0.96% |
| Williamsburg Improvements LLC | | | | 15,465,400 | 6 | 0.86% |
| JIN, Inc. | | | | 13,119,100 | 7 | 0.73% |
| Oam Shree Corporation | | | | 12,898,800 | 8 | 0.72% |
| Medalist Properties 5 LLC | | | | 10,654,900 | 9 | 0.59% |

**City of Williamsburg, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years**

Table 9

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected Within the Fiscal Year of the Levy | | | Total Collections to Date | | |
|---------------------------------------|---|---|-------------------------------|--|----------------------------------|-------------------------------|--|
| | | Amount | Percentage of Levy | Collections in Subsequent Years | Amount | Percentage of Levy | |
| 1998 | \$5,895,408 | \$5,608,446 | 95.13% | \$223,324 | \$5,831,770 | 98.92% | |
| 1999 | 6,242,945 | 5,951,668 | 95.33% | 229,928 | 6,181,596 | 99.02% | |
| 2000 | 6,468,264 | 6,258,949 | 96.76% | 177,140 | 6,436,089 | 99.50% | |
| 2001 | 6,918,899 | 6,682,605 | 96.58% | 199,084 | 6,881,689 | 99.46% | |
| 2002 | 7,272,386 | 7,057,213 | 97.04% | 170,138 | 7,227,351 | 99.38% | |
| 2003 | 7,797,659 | 7,592,727 | 97.37% | 166,097 | 7,758,824 | 99.50% | |
| 2004 | 8,506,940 | 8,347,049 | 98.12% | 138,648 | 8,485,697 | 99.75% | |
| 2005 | 8,866,903 | 8,700,344 | 98.14% | 140,659 | 8,841,003 | 99.71% | |
| 2006 | 9,737,038 | 9,573,834 | 98.54% | 118,384 | 9,692,218 | 99.54% | |
| 2007 | 10,953,045 | 10,735,848 | 98.02% | 149,852 | 10,885,700 | 99.39% | |
| 2008 | 12,253,068 | 12,041,996 | 98.28% | n/a | 12,041,996 | 98.28% | |

Source: City of Williamsburg Assessor's Office

Notes: Property in the City of Williamsburg is reassessed every year. Code of Virginia § 58.1-3201 requires that annual assessments of real estate shall be made at 100 percent fair market value.

Estimated actual taxable value is calculated by dividing taxable assessed value by 100%.

City of Williamsburg, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 10

| Fiscal Year | Governmental Activities | | Business-type Activities | | Total Primary Government | Percentage of Personal Income | Debt Per Capita |
|--------------------|---|---|---|-------------------------------------|---------------------------------|--------------------------------------|------------------------|
| | General Obligation Bonds | General Obligation Bonds | General Obligation Bonds | Total Primary Government | | | |
| 1999 | \$ 8,016,000 | | \$ 2,420,467 | \$ 10,436,467 | n/a | | 913 |
| 2000 | 7,228,000 | | 2,287,133 | 9,515,133 | n/a | | 793 |
| 2001 | 6,440,000 | | 7,933,800 | 14,373,800 | n/a | | 1,159 |
| 2002 | 12,652,000 | | 7,700,360 | 20,352,360 | n/a | | 1,615 |
| 2003 | 11,744,000 | | 7,525,173 | 19,269,173 | n/a | | 1,460 |
| 2004 | 12,131,000 | | 7,237,154 | 19,368,154 | n/a | | 1,445 |
| 2005 | 19,713,000 | | 6,938,851 | 26,651,851 | n/a | | 1,989 |
| 2006 | 13,840,821 | | 6,665,050 | 20,505,871 | n/a | | 1,530 |
| 2007 | 12,848,396 | | 700,000 | 13,548,396 | n/a | | 1,011 |
| 2008 | 10,534,147 | | 566,667 | 11,100,814 | n/a | | 835 |

**City of Williamsburg, Virginia
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Table 11

| Fiscal Year | Total General Obligation Bonds | Percentage of Actual Taxable Value¹ of Property | Per Capita² |
|--------------------|---|---|-------------------------------|
| 1999 | \$ 10,436,467 | 1.23% | 913 |
| 2000 | 9,515,133 | 1.09% | 793 |
| 2001 | 14,373,800 | 1.55% | 1,159 |
| 2002 | 20,352,360 | 2.09% | 1,615 |
| 2003 | 19,269,173 | 1.81% | 1,460 |
| 2004 | 19,368,154 | 1.63% | 1,445 |
| 2005 | 26,651,851 | 2.10% | 1,989 |
| 2006 | 20,505,871 | 1.45% | 1,530 |
| 2007 | 13,548,396 | 0.84% | 1,023 |
| 2008 | 11,100,812 | 0.59% | 838 |

¹ See Table 6 for property value data.

² Population data can be found in Table 13.

**City of Williamsburg, Virginia
Legal Debt Margin Information,
Last Ten Fiscal Years**

Table 12

| | 1999 | 2000 | 2001 | 2002 | Fiscal Year 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|--------------|--------------|--------------|--------------|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Debt Limit | \$79,264,120 | \$81,585,650 | \$86,396,127 | \$90,863,133 | \$99,563,530 | \$111,742,610 | \$120,269,260 | \$133,870,500 | \$154,722,020 | \$180,323,920 |
| Total net debt applicable to limit | 10,436,467 | 9,515,133 | 14,373,800 | 20,352,360 | 19,269,173 | 19,368,154 | 26,651,851 | 20,505,871 | 13,548,395 | 11,100,814 |
| Legal debt margin | 68,827,653 | 72,070,517 | 72,022,327 | 70,510,773 | 80,294,357 | 92,374,456 | 93,617,409 | 113,364,629 | 141,173,625 | 169,223,106 |
| Total net debt applicable to the limit as a percentage of debt limit | 13.17% | 11.66% | 16.64% | 22.40% | 19.35% | 17.33% | 22.16% | 15.32% | 8.76% | 6.16% |

Legal Debt Margin Calculation for Fiscal Year 2008:

| | |
|------------------------------------|----------------------|
| Assessed Value | \$1,803,239,200 |
| Debt Limit (10% of assessed value) | 180,323,920 |
| Debt applicable to limit: | |
| General obligation bonds | 11,100,814 |
| Legal debt margin | <u>\$169,223,106</u> |

Note: Virginia statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value.

The above calculation includes all debt secured by the full faith and credit of the City.

**City of Williamsburg, Virginia
Demographic and Economic Statistics
Last Ten Fiscal Years**

Table 13

| Calendar Year | City Population | Area Population ² | Personal Income (thousands of dollars) ² | Per Capita Personal Income ² | Public School Enrollment ³ | Per Capita Personal Debt | Unemployment Rate ¹ |
|---------------|-----------------|------------------------------|---|---|---------------------------------------|--------------------------|--------------------------------|
| 1999 | 11,430 | 57,414 | \$ 1,808,310 | \$ 31,496 | 8,155 | 913 | 5.60% |
| 2000* | 11,998 | 58,928 | 1,924,796 | 32,664 | 8,191 | 793 | 4.30% |
| 2001 | 12,400 | 60,482 | 2,107,283 | 34,841 | 8,407 | 1,159 | 5.60% |
| 2002 | 12,600 | 60,469 | 2,290,040 | 37,871 | 8,553 | 1,615 | 7.30% |
| 2003 | 13,200 | 69,200 | 2,392,093 | 34,568 | 8,959 | 1,460 | 8.20% |
| 2004 | 13,400 | 64,644 | 2,484,654 | 38,436 | 9,402 | 1,445 | 7.80% |
| 2005 | 13,400 | 66,856 | 2,680,679 | 40,096 | 9,820 | 1,989 | 7.60% |
| 2006 | 13,400 | 69,090 | 2,860,409 | 41,401 | 10,105 | 1,530 | 6.90% |
| 2007 | 13,242 | 72,924 | ** | ** | 10,137 | ** | 5.70% |
| 2008 | 13,245 | 74,984 | ** | ** | 10,248 | ** | 8.70% |

* U. S. Census-city population - other city population figures supplied by Weldon Cooper Center for Public Service (University of VA)

¹ Virginia Employment Commission

² Source - U.S. Dept of Commerce, Bureau of Economic Analysis, Regional Accounts Data - population and per capita personal figures are only available for the City of Williamsburg and neighboring James City County combined.

³ Source - Williamsburg-James City County Public Schools

** Population and income statistics not yet available for 2007

City of Williamsburg, Virginia
Principal Employers
Current Year and Nine Years Ago

Table 14

| Employer | 1999 | | | 2008 | | |
|--|------------------------------|-------------|--|------------------------------|-------------|--|
| | Employees¹ | Rank | Percentage of total City Employment | Employees[*] | Rank | Percentage of total City Employment |
| | | | | | | |
| College of William & Mary | 1,000+ | 1 | 17.91% | 1,000+ | 1 | 20.50% |
| Colonial Williamsburg Foundation | 1,000+ | 2 | 11.03% | 1,000+ | 2 | 11.56% |
| Colonial Williamsburg Company | 1,000+ | 3 | 9.36% | 1,000+ | 3 | 8.34% |
| Williamsburg Community Hospital ² | 500 to 999 | 4 | 4.32% | | | |
| City of Williamsburg | 250 to 499 | 5 | 0.90% | 250 to 499 | 4 | 1.22% |
| Williamsburg Hospitality House | 100 to 249 | 6 | 0.83% | 100 to 249 | 5 | 0.93% |
| Marriott Educational Services Inc. | 100 to 249 | 7 | 0.83% | 100 to 249 | 6 | 0.93% |
| Patrick Henry Inn | 100 to 249 | 8 | 0.83% | | | |
| National Center for State Courts | 100 to 249 | 9 | 0.83% | 100 to 249 | 7 | 0.93% |
| Red Lobster & The Olive Garden | 100 to 249 | 10 | 0.83% | 100 to 249 | 8 | 0.93% |
| Yankee Candle | | | | 100 to 249 | 9 | 0.93% |
| Bluegreen | | | | 100 to 249 | 10 | 0.93% |

¹ includes part-time and seasonal employees

² now Sentara Healthcare-relocated to neighboring York County in August 2006

Table 15

City of Williamsburg, Virginia
Full-time-Equivalent City Employees by Function/Program
Last Ten Fiscal Years

| | Full-time-Equivalent Employees as of June 30: | | | | | | | | | |
|---------------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| General Government | | | | | | | | | | |
| City Manager | 4.5 | 5.0 | 5.0 | 4.5 | 4.0 | 4.5 | 4.5 | 5.5 | 5.5 | 5.5 |
| Clerk of Council | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| City Attorney | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Commissioner of Revenue | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Registrar | 1.5 | 1.5 | 1.5 | 2.0 | 2.0 | 2.0 | 1.5 | 1.5 | 1.5 | 1.5 |
| Assessor | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Finance | 11.5 | 11.5 | 12.0 | 12.0 | 12.0 | 11.0 | 11.0 | 11.0 | 11.0 | 12.0 |
| Police | | | | | | | | | | |
| Officers | 31.0 | 34.0 | 34.0 | 34.0 | 34.0 | 34.0 | 34.0 | 34.0 | 35.0 | 36.0 |
| Civilians | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 | 15.5 | 16.0 | 16.0 | 18.0 | 18.0 |
| Fire | | | | | | | | | | |
| Firefighters & officers | 28.0 | 30.0 | 31.0 | 31.0 | 31.0 | 31.0 | 31.0 | 34.0 | 35.0 | 36.0 |
| Civilians | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Public Works | | | | | | | | | | |
| Engineering | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Streets | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Landscape | 7.0 | 7.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| Shop | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Building Maintenance | 0.0 | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Planning | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Code Compliance | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 6.0 | 6.0 | 6.0 | 7.0 | 7.0 |
| Recreation | 8.5 | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 | 9.0 | 9.0 | 9.0 |
| Human Services | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 12.0 | 12.0 | 12.0 | 12.0 |
| Public Utilities | 24.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 25.0 | 25.0 | 25.0 |
| Total | 169.5 | 177.0 | 179.5 | 179.5 | 180.0 | 184.5 | 185.5 | 191.0 | 196.0 | 200.0 |

Source: City Finance Department

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time-equivalent

City of Williamsburg, Virginia
Operating Indicators by Function/Program
Last Ten Fiscal Years

Table 16

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Fiscal Year | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|-------------|-------------|-------------|-------------|
| | | | | | | | | | | | 2003 | 2004 | 2005 | 2006 | 2007 |
| General Government | | | | | | | | | | | | | | | |
| Real estate parcels appraised | 3,461 | 3,641 | 3,701 | 3,828 | 3,978 | 4,000 | 4,204 | 4,374 | 4,223 | 4,254 | | | | | |
| Real estate property transfers | 316 | 305 | 367 | 428 | 339 | 527 | 486 | 441 | 381 | 342 | | | | | |
| Police | | | | | | | | | | | | | | | |
| Calls for service | 34,877 | 32,673 | 31,295 | 36,256 | 30,285 | 32,618 | 29,990 | 30,727 | 32,532 | 29,748 | | | | | |
| Moving violations | 3,338 | 2,942 | 3,191 | 3,238 | 2,924 | 2,128 | 1,672 | 1,867 | 1,989 | 2,084 | | | | | |
| Crimes investigated | 3,563 | 3,294 | 3,406 | 3,744 | 1,681 | 1,979 | 1,770 | 1,740 | 1,772 | 1,615 | | | | | |
| Fire | | | | | | | | | | | | | | | |
| Emergency fire responses | 723 | 689 | 757 | 629 | 649 | 650 | 625 | 694 | 693 | 1,581 | | | | | |
| Emergency EMS responses | 1,666 | 1,685 | 1,613 | 1,655 | 1,702 | 1,739 | 1,692 | 1,744 | 1,861 | 2,151 | | | | | |
| Public Works | | | | | | | | | | | | | | | |
| Street miles maintained | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 54 | | | | | |
| Work orders issued | 321 | 243 | 214 | 239 | 282 | 163 | 246 | 327 | 227 | 290 | | | | | |
| Tons of res. solid waste collected | 3,061 | 3,052 | 3,127 | 2,922 | 2,698 | 3,416 | 2,371 | 3,477 | 3,624 | 3,697 | | | | | |
| Planning | | | | | | | | | | | | | | | |
| Subdivision lots approved | 0 | 82 | 137 | 2 | 0 | 4 | 4 | 60 | 90 | 0 | | | | | |
| Site plans processed | 20 | 8 | 10 | 10 | 10 | 13 | 11 | 20 | 14 | 7 | | | | | |
| Code Compliance | | | | | | | | | | | | | | | |
| Total permits issued | 1,326 | 1,449 | 1,348 | 1,112 | 1,126 | 2,498 | 1,244 | 1,337 | 1,050 | 1,845 | | | | | |
| Total inspections performed | 4,250 | 5,442 | 5,911 | 6,889 | 6,998 | 10,821 | 10,326 | 7,887 | 6,535 | 7,220 | | | | | |
| Recreation | | | | | | | | | | | | | | | |
| Program participants | 37,723 | 37,332 | 32,235 | 34,292 | 36,645 | 31,504 | 32,126 | 29,518 | 27,914 | 24,536 | | | | | |
| Special events participants | 5,902 | 6,348 | 10,748 | 13,133 | 17,707 | 19,131 | 19,364 | 20,228 | 21,719 | 8,170 | | | | | |
| Waller Mill Park attendance* | 96,815 | 94,685 | 156,887 | 198,480 | 185,388 | 96,110 | 116,261 | 160,175 | 209,760 | 226,050 | | | | | |
| Human Services | | | | | | | | | | | | | | | |
| Total benefit program cases | 578 | 567 | 588 | 617 | 705 | 864 | 724 | 729 | 612 | 600 | | | | | |
| Total service cases | 147 | 165 | 190 | 179 | 163 | 164 | 206 | 184 | 186 | 179 | | | | | |
| Public Utilities | | | | | | | | | | | | | | | |
| Water treated (million gallons) | 1,328 | 1,284 | 1,398 | 1,271 | 1,260 | 1,254 | 1,217 | 1,290 | 1,223 | 1,201 | | | | | |
| Water lines/hydrants repaired | 178 | 157 | 159 | 208 | 201 | 80 | 79 | 62 | 71 | 48 | | | | | |
| Sewer lines cleaned/repaired | 266 | 240 | 246 | 208 | 207 | 113 | 130 | 127 | 100 | 94 | | | | | |
| Emergency repair responses | 524 | 598 | 545 | 545 | 529 | 270 | 325 | 403 | 387 | 412 | | | | | |

Source: City operating departments

* Waller Mill Park suffered extensive damage from Hurricane Isabel in Sept., 2003

Table 17

City of Williamsburg, Virginia
Capital Asset Statistics by Function
Last Ten Fiscal Years

| Function/Program | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | Fiscal Year | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | | | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| General Government | | | | | | | | | | |
| Number of buildings | 24 | 25 | 26 | 27 | 28 | 28 | 28 | 28 | 28 | 28 |
| Number of parking structures | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Total number of active vehicles in vehicle replacement plan | 67 | 69 | 71 | 72 | 75 | 74 | 80 | 77 | 80 | 81 |
| Public Safety | | | | | | | | | | |
| Number of police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Works | | | | | | | | | | |
| Lane miles of streets maintained | 45 | 45 | 45 | 48 | 48 | 48 | 48 | 49 | 50 | 50 |
| Number of traffic signals | 13 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Bridges | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Education-Regional Schools | | | | | | | | | | |
| Grades: K - 5 | 6 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 8 |
| Grades: 6 - 8 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Grades: 9 - 12 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 |
| Parks & Recreation | | | | | | | | | | |
| Number of parks | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Number of ball fields | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Number of tennis courts | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Number of total acres | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 |
| Culture | | | | | | | | | | |
| Number of public libraries (regional) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Public Utilities | | | | | | | | | | |
| Miles of water distribution | 40 | 40 | 40 | 48 | 48 | 48 | 48 | 48 | 48 | 48 |
| Number of water tanks | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Number of pump stations | 11 | 11 | 11 | 11 | 12 | 13 | 14 | 14 | 14 | 14 |

Source: City departments.

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

***Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards***

To The Honorable Members of the City Council
City of Williamsburg
Williamsburg, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the City of Williamsburg, Virginia's basic financial statements and have issued our report thereon dated November 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Williamsburg, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Williamsburg, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the City of Williamsburg, Virginia's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Williamsburg, Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Williamsburg, Virginia's financial statements that is more than inconsequential will not be prevented or detected by the City of Williamsburg, Virginia's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Williamsburg, Virginia's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Williamsburg, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robins, Farn, Cox Associates

Richmond, Virginia
November 5, 2008

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To The Honorable Members of the City Council
City of Williamsburg
Williamsburg, Virginia

Compliance

We have audited the compliance of the City of Williamsburg, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Williamsburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Williamsburg, Virginia's management. Our responsibility is to express an opinion on the City of Williamsburg, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Williamsburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Williamsburg, Virginia's compliance with those requirements.

In our opinion, the City of Williamsburg, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Williamsburg, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Williamsburg, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Williamsburg, Virginia's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rosen, Farn, Fox Associates

Richmond, Virginia
November 5, 2008

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Page 1 of 1

| Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) | Federal Catalog Number | Expenditures |
|--|---------------------------------------|---------------------|
| <i>Department of Health and Human Services:</i> | | |
| <i>Pass Through Payments:</i> | | |
| <i>Department of Social Services:</i> | | |
| Family Preservation and Support | 93.556 | \$ 12,538 |
| Temporary Assist to Needy Families (TANF) | 93.558 | 96,084 |
| Refugee and Entrant Assistance - Discretionary Grants | 93.566 | 447 |
| Low Income Home Energy Assistance | 93.568 | 1,865 |
| Payments to States for Child Care Assistance | 93.575 | 106,545 |
| Child Care and Development Fund | 93.596 | 42,331 |
| Chafee Education and Training vouchers program | 93.599 | 628 |
| Child Welfare Services - State Grants | 93.645 | 638 |
| Foster Care - Title IV-E | 93.658 | 128,074 |
| Adoption Assistance | 93.659 | 27,346 |
| Social Services Block Grant | 93.667 | 104,710 |
| Independent Living | 93.674 | 962 |
| State Children's Insurance Program | 93.767 | 4,116 |
| Medical Assistance Program (Title XIX) | 93.778 | <u>83,316</u> |
| Total Department Health and Human Services | | <u>\$ 609,600</u> |
| <i>Department of Agriculture:</i> | | |
| <i>Pass Through Payments:</i> | | |
| <i>Department of Social Services:</i> | | |
| State Admin Matching Grants for Food Stamp Program | 10.561 | <u>\$ 108,150</u> |
| <i>Department of Justice:</i> | | |
| <i>Pass Through Payments:</i> | | |
| <i>Department of Criminal Justice Service:</i> | | |
| Local law enforcement block grant | 16.592 | <u>\$ 2,434</u> |
| <i>U.S. Department of Housing and Urban Development:</i> | | |
| <i>Pass Through Payments:</i> | | |
| <i>Department of Housing and Urban Development:</i> | | |
| Community development block grant | 14.228 | <u>\$ 361,305</u> |
| <i>Department of Homeland Security:</i> | | |
| <i>Pass Through Payments:</i> | | |
| <i>Department of Homeland Security:</i> | | |
| State domestic preparedness equipment support program | 97.004 | <u>\$ 2,523</u> |
| Total Federal Assistance | | <u>\$ 1,084,012</u> |

City of Williamsburg, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federally assisted programs of the City of Williamsburg, Virginia. The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as, federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

| | |
|---|---------------------|
| General fund | \$ 363,828 |
| Virginia public assistance fund | 717,750 |
| Law enforcement block grant fund | <u>2,434</u> |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u>\$ 1,084,012</u> |

City of Williamsburg, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2008

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

| | | | |
|--|------------------------------|---------------------------------------|--|
| Material weakness(es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> ✓ | <input type="checkbox"/> no |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> ✓ | <input type="checkbox"/> none reported |
| Noncompliance material to financial statements noted? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> ✓ | <input type="checkbox"/> no |

Federal Awards

Internal control over major programs:

| | | | |
|--|------------------------------|---------------------------------------|--|
| Material weakness(es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> ✓ | <input type="checkbox"/> no |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> ✓ | <input type="checkbox"/> none reported |

Type of auditor's report issued on compliance
for major programs: unqualified

Any findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133?

| | | |
|------------------------------|---------------------------------------|-----------------------------|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> ✓ | <input type="checkbox"/> no |
|------------------------------|---------------------------------------|-----------------------------|

Identification of major programs:

| | |
|-----------------------|---|
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
| 14.228 | Community Development Block Grant |

Dollar threshold used to distinguish between type A
and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

City of Williamsburg, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the year ended June 30, 2008

There were no findings or questions costs.